



Daily Report

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Daily Report China

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General

Foreign Ministry Gives Weekly News Briefing

On Gorbachev Bid; Sihanouk; Indian Border
OW1407102688 Beijing XINHUA in English
1006 GMT 14 Jul 88

[Text] Beijing, July 14 (XINHUA)—Chinese Foreign Ministry spokesman Jin Guihua said here today that the Chinese Government supports all efforts and proposals to help ease tension in Europe.

Jin made this remark at the weekly news briefing here this afternoon when answering a reporter's question about Soviet leader Mikhail Gorbachev's recent new proposal for disarmament. Gorbachev said in his speech of July 11 to the Polish Diet that if the North Atlantic Treaty Organization (NATO) agrees not to deploy 72 F-16 fighter-bombers in Italy, his country is ready to withdraw its similar aeroplanes from Eastern Europe. But it is learned that the U.S. side has rejected the proposal.

When asked about China's comments on Prince Norodom Sihanouk's resignation of his post as president of Democratic Kampuchea, Jin said the Chinese Government always respects Prince Sihanouk and never interferes in whatever he does, and it is not prepared to make any comments on this.

In response to a question concerning the situation at the Sino-Indian border, the spokesman said that at present the situation along the border has somewhat eased and the Chinese side sincerely hopes to maintain peace and tranquility along the Sino-Indian border.

Demands RSA Release Mandela
OW1407101588 Beijing XINHUA in English
0947 GMT 14 Jul 88

[Text] Beijing, July 14 (XINHUA)—China strongly demands that the South African authorities immediately release Nelson Mandela and other anti-apartheid personages now in jail, Chinese Foreign Ministry spokesman said here today.

Jin Guihua also demanded that South African authorities lift the ban on anti-apartheid organizations and take effective actions to thoroughly uproot apartheid.

July 18 this year is the 70th birthday of Nelson Mandela, a celebrated leader of the black people in South Africa.

"Nelson Mandela has carried out a protracted struggle for the black people in South Africa to win their fundamental rights and for the elimination of apartheid," the spokesman said.

He said, "Though imprisoned over the last 26 years, he has persevered in his struggle and remained faithful and unyielding in the face of ruthless persecution by the South African racist authorities, thus winning admiration and support from all the justice-upholding people in the world."

"The Chinese Government and people have all along deeply sympathized with and firmly supported Nelson Mandela and the South African people in the just cause they are fighting for, and sternly condemned the South African authorities for their persecution against anti-apartheid personages," he said.

"Now on the occasion of the 70th birthday of Nelson Mandela, we wish to pay our high respects to Nelson Mandela and the South African people who are fighting valiantly against racism," he said.

On Shultz Visit; Sino-Indian Border
OW1407135088 Beijing Domestic Service
in Mandarin 0930 GMT 14 Jul 88

[Excerpts] A spokesman of the Ministry of Foreign Affairs issued a statement on Mandela's 70th birthday at a news briefing this afternoon. [passage omitted]

On Prince Sihanouk's resignation, the spokesman said: We always respect Prince Sihanouk and never interfere in whatever he does; we are not prepared to make a comment on this.

A reporter asked about what questions China will discuss with U.S. Secretary of State Shultz during his visit to China. The spokesman said that the two sides will exchange views on questions concerning Sino-U.S. relations and international issues of mutual interest. He added that as the international community is very much concerned about the Cambodian issue, the issue will naturally be one of the important topics during the talks.

In response to a question concerning the situation at the Sino-Indian border, the spokesman said that at present the situation along the Sino-Indian border has somewhat eased and the Chinese side sincerely hopes to maintain peace and tranquility along the Sino-Indian border.

COCOM Decision Gets Restrained Response
OW1307101088 Beijing XINHUA in English
0715 GMT 13 Jul 88

[Text] Beijing, July 13 (XINHUA correspondent Li Lubo)—Last week's decision by the Paris-based Coordinating Committee for Multilateral Export Controls (COCOM) to ease controls on technology exports to China has been met with positive but restrained response from trade officials and import firms here.

In interviews with XINHUA, many officials were hopeful that the West's trade watchdog organization would further reduce the number of items on its control list when it meets again in September.

COCOM, consisting of 16 members including Japan and all NATO countries except Iceland, monitors exports to "communist nations" and restricts items judged to have potential military uses.

After a four-day secret meeting, COCOM agreed to relax controls on data processing, communications and medical high technology exports to China.

A dozen products, which Western firms had not been allowed to sell to China, were dropped from the list.

Officials from China's Ministry of Foreign Economic Relations and Trade (MOFERT) said this move indicated COCOM's recognition of reforms and open policy in China and would help the country promote its trade with the West.

The positive response, however, was coupled with concern that the decision has yet to be passed by the COCOM meeting in September and that new items are being added to the control list.

MOFERT officials expected COCOM to increase the technology level of exports to China, to reduce the time for approval, to cut the scope of export restrictions and finally to eliminate this out-dated discriminatory measure against China.

COCOM, founded in fall 1949, was originally an instrument of the "cold war" between the East and West and was targeted against the socialist nations. It only began to lift curbs on exports to China in 1985 after three decades of strict restrictions.

COCOM made its first move to relax export controls against China by setting up "green zones" for its member nations. Now there are 32 "green zone" products, the exports of which do not need COCOM's approval.

In 1985, half of all high-tech exports to China by the United States had to go through COCOM. Last year only 13 percent of the exports needed COCOM approval.

The technology level of exports to China has also been raised by COCOM. In computer exports, for instance, the data processing rate went up from 155 million times a second to 285 million, and memory capacity was increased from 72 megabits to 135 megabits.

According to the U.S. Department of Commerce, it takes only 17 days to get approval for U.S. exports of "green zone" products to China. In 1986 it took 3 days. The approval time for exports of more sensitive products above the "green zone" was 173 days last year and is 144 days this year.

Despite the progress, COCOM still restricts the exports of about 100 products to China. The long approval time and complex procedures often make COCOM's relaxation of curbs sound larger than they actually are.

Officials and trade analysts here point to the Toshiba case and other incidents to demonstrate that COCOM's restrictions have caused various problems for China's import firms and their overseas partners.

China National Instruments Import and Export Corporation signed a contract with IBM several years ago to import mainframe computers for the population census in China sponsored by the United Nations.

The U.S. Government kept interfering in the deal with COCOM approval as an excuse, delaying implementation of the contract even up to now.

Bush Appearance at Security Council 'Significant'
OW1407064688 Beijing XINHUA in English
2333 GMT 14 Jul 88

["Bush To Address Security Council Meeting Tomorrow (by Wang Xianpeng)"]—XINHUA headline]

[Text] United Nations, July 13 (XINHUA)—U.S. Vice President George Bush will take part in the U.N. Security Council meeting when it opens tomorrow morning to consider the recent U.S. downing of an Iranian airliner over the Persian Gulf, U.S. Ambassador Vernon A. Walters informed the council president today.

The meeting, requested by Iran and originally scheduled for July 12, is postponed till July 14 to allow more time for the parties concerned to conduct consultations, which have been going on bilaterally and multilaterally since last week.

In the latest of such activities, the council president for July, Ambassador Paulo Nogueira-Batista of Brazil, held an informal get-together with council members this morning to discuss procedural matters for tomorrow's meeting.

It was at this meeting that Ambassador Walters confirmed that George Bush will address the council meeting, when Foreign Minister Ali Akbar Velayati of Iran will present his country's case, according to a U.N. spokesman.

Bush, who served as U.S. Permanent Representative to the U.N. from 1971 to 1973, will be the highest American official to make an appearance in the Security Council in recent memory, and will be his own first visit to the world body since he left the post at the U.S. mission.

Observers here view this as "significant" as it represents a high-profile gesture on the U.S. part to show its concern for the incident and its consequences.

On July 3, U.S. warship Vincennes shot down Iran air flight 655 over the Gulf, killing all the 290 passengers aboard. The United States claimed it mistook the airliner as a F-14 fighter.

The flurry of diplomatic activities at the U.N. headquarters in the past few days indicated that the parties concerned are handling the matter in a restrained manner. Foreign Minister Velayati, since his arrival in New York on Monday, has not made a single statement critical of the United States.

Velayati has met with representatives of almost all member states of the council, except the United States, in the last three days. The council, according to informed sources, does not yet have a draft resolution acceptable to both Iran and the United States.

Federal Germany is reportedly working on a text that could be used as a statement by the president of the council, should members find it impossible to have a resolution.

U.N. officials are also of the view that the airline incident, tragic as it was, might present an opportunity to press for an end to the 8-year old Iran-Iraq conflict.

Angola Agrees To Withdrawal of Cuban Troops
OW1407062988 Beijing XINHUA in English
0055 GMT 14 Jul 88

["Angolan Official Happy With Results of Quadripartite Negotiations (by Wang Zongyin)"]—XINHUA headline]

[Text] New York, July 13 (XINHUA)—An Angolan official said here today that he was "happy" with the results of the four-party negotiations that ended with a basic document on "principles for a peaceful settlement in southwestern Africa."

A statement was issued at noon today after two and a half days' secret discussions among senior experts of Angola, Cuba, South Africa and the United States. It said that the discussions took place in a constructive spirit, and were positive and productive.

Lt. General Antonio Franca Ndalú, who headed the Angolan-Cuban joint delegation, echoed the statement by saying that "the atmosphere of the work was good."

He sounded cautiously optimistic when asked whether a settlement in southwestern Africa, which includes the withdrawal of all foreign troops from Angola and independence for Namibia, was possible by September 29, the tenth anniversary of United Nations Resolution 435 calling for independence for Namibia.

He said, "the date is very close. This is the wish of everyone of us." However, he added that there were a lot of difficulties to be removed step by step.

Asked whether the just completed basic document, which is subject to approval by the governments concerned, provides for the implementation of U.N. Resolution 435, Lt. General Ndalú, who is chief of the general staff of the Angolan Armed Forces, replied that it was "obvious."

Referring to a question about a timetable for the withdrawal from Angola of Cuban troops, estimated to number 50,000, he said that although Angola does not accept the "linkage," it is ready to withdraw the Cuban troops.

The United States has insisted that the independence of Namibia be linked to the withdrawal of Cuban troops who have been fighting along with Angolan Government troops against the rebel forces of the National Union for Total Independence of Angola (UNITA) led by Jonas Savimbi.

Lt. General Ndalú was vague on the question whether Angola still makes a settlement in southwestern Africa conditional upon an end to U.S. assistance to UNITA. At first he said that it was a bilateral question (between Angola and the United States), implying that it might not have been on the table of the quadripartite discussions. After the press conference was over, he gave a one-sentence revised answer through an interpreter that an end to the U.S. assistance was a condition of the Angolan Government.

When asked whether he was satisfied that South Africa showed good faith in the negotiations, he said that if the discussions were constructive, this means that there was a will by all parties to discuss the situation that does exist.

United States & Canada

U.S. Secretary of State Shultz Begins Visit

Met by Zhu Qizhen on Arrival
OW1407070088 Beijing XINHUA in English
0640 GMT 14 Jul 88

[Text] Beijing, July 14 (XINHUA)—George Shultz, secretary of state of the United States, arrived here by special plane today to start his official visit to China at the invitation of Chinese Foreign Minister Qian Qichen.

Among those present at the airport to greet Shultz and his party were Chinese Vice-Foreign Minister Zhu Qizhen and Chinese Ambassador to the United States Han Xu who is now back in China for consultations.

It is learned that Shultz, who is on his third visit to China, and Qian will hold talks this afternoon, and Qian will host a banquet for Shultz this evening.

Holds Talks With Qian Qichen

HK1407133688 Beijing ZHONGGUO XINWEN SHE
in Chinese 1232 GMT 14 Jul 88

[Text] Beijing, 14 Jul (ZHONGGUO XINWEN SHE)—U.S. Secretary of State told Chinese Foreign Minister Qian Qichen this afternoon: The United States is now preparing for presidential elections. Both the Republican and Democratic parties in the United States support the development of U.S.-Chinese friendship. No matter which party will win, the continuity of U.S. policies on U.S.-Chinese relations will be maintained.

Shultz continued that the relations between the United States and China have matured and the current situation is fine though there have been ups-and-downs over the past few years. There is a sound basis for the steady and sustained development of U.S.-Chinese relations.

These were Shultz's views on the relations between the two countries expressed at the official talks with Qian Qichen which lasted for three hours and ten minutes.

Qian Qichen agreed with Shultz's overall appraisal of the relations between the two countries.

In the 10 years following the establishment of diplomatic relations between China and the United States, Qian said, the relations between the two countries have developed remarkably. Such development has been hard-earned with the concerted efforts made by both sides. 'Naturally, the development of such relations has not been smooth.'

Qian pointed out that the three joint communiques issued by China and the United States have laid a sound basis for the development of relations between the two countries. Facts have proved that so long as both parties strictly act according to the principles of the three communiques Sino-U.S. relations will develop steadily. Qian Qichen said that, China hopes to see a smoother development of Sino-American relations in the second decade since the normalization of the diplomatic relations between the two nations.

The two sides have exchanged views on major issues of mutual concern regarding the world situation. It is learned that these issues include disarmament, Cambodia and Afghanistan.

The talk referred to as in a "friendly and frank" atmosphere was held in the Diaoyutai State Guest House.

Secretary of State Shultz and Mrs Shultz arrived in Beijing, accompanied by their entourage on a special plane at 1200 today; thus his formal three-day visit to China began. Chinese Deputy Foreign Minister Zhu Qizhen and Mrs Zhu, Assistant to the Minister Liu

Huaqiu (0491 5478 4428), the Chinese Ambassador to the United States Han Xu, as well as the U.S. Ambassador to China Mr Winston Lord and Mrs Lord welcomed them at the airport.

This is Shultz's third formal visit to China as secretary of state. Earlier, he accompanied Reagan in the president's visit to China in 1984.

Qian Qichen will give a banquet in honor of Mr and Mrs Shultz at the Great Hall of the People this evening.

It is learned that Shultz is scheduled to have a series of meetings with China's senior leading members tomorrow.

More on Meeting With Qian

HK1407080888 Hong Kong AFP in English
0803 GMT 14 Jul 88

[Text] Beijing, July 14 (AFP)—U.S. Secretary of State George Shultz began a three-day visit here Thursday with three hours of talks with Chinese Foreign Minister Qian Qichen on a variety of issues.

"This offers us an opportunity to have an exchange of views on many issues," Mr. Qian told his U.S. counterpart across a broad oval table at the Diaoyutai Guest House at the start of their meeting.

"I'm looking forward to that. There's a lot going on of interest to both our countries," replied Mr. Shultz, making what could be his last visit here before the Reagan administration ends its term in January.

Beijing is the sixth stop on a nine-leg Asian tour that began a week ago in Bangkok where Mr. Shultz met foreign ministers from the Association of Southeast Asian Nations (ASEAN) to discuss Cambodia.

On Friday he is scheduled to see China's senior leader Deng Xiaoping, Premier Li Peng and Communist Party General Secretary Zhao Ziyang.

While in Beijing analysts expect Mr. Shultz to urge the Chinese to take steps to prevent the Khmer Rouge from taking advantage of peace initiatives to regain power in Cambodia.

The Khmer Rouge, armed by China, is the strongest of the three guerrilla groups fighting the Phnom Penh government and Vietnamese troops based in Cambodia to protect it.

But there are widespread fears that unless it is reined in China, the Khmer Rouge and its leader Pol Pot might try to repeat its brutal 1975-79 rule of Cambodia, during which millions died and starved.

For its part, Chinese leaders were expected to repeat their demand that Vietnam, the Soviet Union's foremost ally in East Asia, withdraw its estimated 100,000 to 120,000 troops from Cambodia immediately.

Mr. Shultz, who last visited China in March 1987, is also expected to criticize China for supplying Silkworm anti-ship missiles to Iran and intermediate-range missiles to Saudi Arabia capable of carrying a nuclear warhead as far as Israel.

China has denied selling arms to Iran.

In a statement issued in Hong Kong before leaving for Beijing Thursday, Mr. Shultz said the British colony, a prospering free port, could help less developed countries understand the importance of open trade.

He also called for a fresh approach on the problem of Vietnamese refugees still pouring into Hong Kong and Southeast Asian countries 13 years after the end of the Vietnam war.

Shultz To Meet Top Leaders

*OW1407141088 Beijing XINHUA in English
1332 GMT 14 Jul 88*

[Text] Beijing, July 14 (XINHUA)—George Shultz, secretary of state of the United States, said here today that no matter what the outcome of the forthcoming U.S. presidential election, continuity in U.S.-China relations would be assured.

Shultz made this remark during a three-hour meeting with his Chinese counterpart, Qian Qichen. Shultz arrived today on a two-day visit to Beijing as Qian's guest.

During their meeting the two men discussed the present state of Sino-U.S. relations and international issues. Shultz said that although Sino-U.S. relations have undergone some upheavals in the past few years, the relationship is now maturing.

Qian said, "During the last decade since formal diplomatic relations between the two countries were established, the relationship has developed markedly, although this was not always plain sailing."

Shultz said that a sound basis for a long-term and stable relationship between the countries had been established. Qian agreed that the three communiques signed by the two governments have established a firm foundation for Sino-U.S. relations.

"So long as both sides abide strictly by the principles contained in these three communiques, relations between the two countries can develop steadily," Qian said.

The two men also discussed the questions of Kampuchea, Afghanistan and disarmament.

Shultz is due to meet senior leader Deng Xiaoping, Party General Secretary Zhao Ziyang, Premier Li Peng and Vice-Premiers Tian Jiyun and Wu Xueqian tomorrow.

Qian Qichen Hosts Banquet

*OW1407150188 Beijing XINHUA in English
1427 GMT 14 Jul 88*

[Text] Beijing, July 14 (XINHUA)—Despite past twists and turns, the general trend of Sino-U.S. relations is one of forward movement since the normalization of the relations, Chinese Foreign Minister Qian Qichen said here this evening.

At a banquet in the Great Hall of the People to honor visiting U.S. Secretary of State George Shultz, Qian said that efforts for further progress in the bilateral friendly relations and cooperation are enjoying increasingly extensive support.

Qian described Shultz as "a noted American diplomat and an old friend of the Chinese people," who, as Qian put it, are deeply impressed by Shultz's attention to and interest in Sino-U.S. relations and his efforts in this regard.

Qian noted that recent years have witnessed some gratifying changes in the international situation.

"The signing of the INF treaty," he went on, "signifies a welcome step by the United States and the Soviet Union on the long road toward nuclear disarmament."

There are now ever stronger calls for peaceful settlement of international disputes, East-West relations have started to move toward relaxation and growing is the trend of dialogue replacing confrontation, Qian said.

However, he continued, worrisome factors are still there. "The arms race is far from being halted, protracted regional conflicts await settlement and the North-South contradiction is as prominent as ever," he said.

He held that the maintenance of world peace further requires persistent efforts from the peoples of the world.

He noted that it will soon be ten years since the establishment of Sino-U.S. diplomatic relations. "Looking back on the path traversed, we are happy to note the profound changes that have taken place in Sino-U.S. relations," he said.

Leaders of the two countries have exchanged visits frequently, Qian said, adding that channels for bilateral exchanges have broadened steadily, mutually beneficial

cooperation has kept expanding both in size and in the number of areas covered, economic and trade ties have developed rapidly and two-way investment activities have increased daily.

He said facts have demonstrated that the state of relations between countries is not determined by similarity or difference in social system and ideology, nor by their respective relations with any third country, but depends on whether they both strictly adhere to the five principles of peaceful coexistence that govern the handling of relations between countries.

"I am confident that Sino-U.S. relations will reach a new high in the next decade so long as the two sides strictly abide by the mutually agreed principles contained in all the Sino-U.S. joint communiques, enhance mutual trust and continue to overcome difficulties and remove obstacles," Qian said.

In his toast, Shultz said that nearly two decades ago, the two nations' leaders embarked on a path of normalization.

"Upon this foundation we have in the course of this decade built what is now a stable and mature relationship that enriches our two peoples through ever-expanding trade, student and scientific exchanges, and on-going contact between our two national leaderships."

He noted that China and the U.S. have made their own contributions to this more promising international environment. "Even as we have moved to negotiate differences, we have also stood firm in the face of aggression," he said.

The U.S. has made it clear that the U.S. welcomes developments on both sides of the Taiwan Straits that contribute to a relaxation of tensions and constructive interchange, Shultz said, adding that such developments are consistent with the U.S. long-standing interest in a peaceful resolution of the Taiwan question.

He said, "By opening up her doors to commerce with the world, by decentralizing management of the economy, by sending students abroad, China has gained recognition as a country capable of world-class economic performance as we move into the twenty-first century."

The U.S. will do its best, Shultz went on, to keep flows of advanced technology abroad as unconstrained as possible, as reflected in the recent COCOM decision to further liberalize technology transfers to China.

"Our relationship keeps moving forward because of our willingness to find common ground by combining adherence to principle with practical efforts to resolve issues between us," he added.

Shultz arrived here earlier today by special plane on an official visit to China as Qian's guest.

NPC's Chen Muhua Meets U.S. Business Executive
OW1307113488 Beijing XINHUA in English
0929 GMT 13 Jul 88

[Text] Beijing, July 13 (XINHUA)—Chen Muhua, vice-chairwoman of the National People's Congress Standing Committee, met with David Murdock, chairman of the board of Castle and Cooke Ltd. Company of the United States, and his party here this afternoon.

The company is engaged mainly in the businesses of agriculture, foodstuff, transportation, fisheries and real estates.

'Roundup' on Dukakis' Choice of Running Mate
OW1307141488 Beijing XINHUA in English
1334 GMT 13 Jul 88

["Roundup: Dukakis Wins Points in Selecting Running Mate (by Bao Guangren)"]—XINHUA headline]

[Text] Washington, July 12 (XINHUA)—When he announced the selection of Senator Lloyd Bentsen as his running mate, U.S. Democratic presidential hopeful Michael Dukakis mentioned John Kennedy and Lyndon Johnson, the team that beat incumbent Republican Vice President Richard Nixon in 1960.

The selection today of Bentsen, a Texan, was reminiscent of the 1960 campaign when John F. Kennedy, another son of Massachusetts, turned to Johnson from Texas in a drive for votes in the South. Johnson helped Kennedy win Texas and other southern states that year on his way to the presidency.

"The Massachusetts-Texas axis was good for the country in 1960 and it's going to be a real winner in 1988," Bentsen said.

The selection is considered here as one of the sharpest challenges Dukakis could make to Vice President George Bush, Dukakis's rival from the Republican Party.

It also shows the Massachusetts governor regards winning Texas as a cornerstone in winning the White House. Texas has 29 electoral votes, more than any other state except California and New York, and no Democrat has been elected president without carrying Texas this century. But Bush also claims Texas as his first home.

The 67-year-old Bentsen is regarded as a political moderate with considerable Washington experience. He is expected to try to temper Bush's argument that Dukakis is too liberal and has insufficient foreign policy credentials to be president.

Bentsen defeated Bush to win his Senate seat in 1970, a good sign for the Democrats. He is chairman of the Senate Finance Committee. In addition to Texas, he is expected to help Dukakis in other Southern states, which are generally considered more conservative.

Bentsen's 24-year record in Congress is a portrait of balance, but it also reveals differences with Dukakis on some major issues.

A millionaire businessman himself, Bentsen backs favorable tax treatment for businesses and a light government regulatory touch on industry. He favors weapons systems such as the MX missile and the B-1 bomber.

Bentsen's support for military aid to the U.S.-backed Contra rebels is a contrast to Dukakis. A moderate to conservative Democrat, Bentsen adds some ideological balance to Dukakis's campaign and may be helpful in countering Bush's charges that Dukakis is too liberal.

Most Democrats are delighted with the selection, but how black civil rights leader Jesse Jackson will react remains a problem.

Monday, less than 24 hours before the Bentsen choice was made public, Jackson said he would accept the number two spot if it was offered to him.

For several weeks, Jackson, who finished second to Dukakis in the delegate race, had been seeking the job. Today, he was apparently angered at the choice, although he said that he is "too controlled," "too clear" and "too mature" to be angry.

Jackson did not offer an enthusiastic endorsement of the ticket. He indicated that before he and his supporters will be able to campaign enthusiastically for Dukakis, they want to talk with him on important issues before the start of the Democratic national convention scheduled in Atlanta next Monday.

Jackson said that he has registered more new voters than any Democrat, and those voters and their legitimate interests "must be protected by any Democratic administration."

But he contended that while he wants to talk with Dukakis about guaranteeing support for some of his ideas, he would not threaten him.

Dukakis probably decided against selecting Jackson because the United States is still not ready for a black vice president, despite Jackson's success in the primaries. But to win the election, Dukakis must be seen to have dealt fairly with Jackson.

The Dukakis and Bentsen ticket is a marriage between the North and the South, and between the "liberal" and the "moderate conservative." Although Bentsen is little known nationally, most Democrats think Dukakis made a right choice.

'News Analysis' on Strength of U.S. Dollar
OW1307133588 Beijing XINHUA in English
0742 GMT 13 Jul 88

[*"News Analysis: Dollar Expected To Hold Up in Near Future (by Xue Linnin)"—XINHUA headline*]

[Text] New York, July 12 (XINHUA)—The U.S. dollar, boosted by favorable economic factors and the lack of strong intervention from major central banks, will probably keep the strength it gained in recent weeks.

Some money traders say that the greenback could hold its ground even if the U.S. trade data to be released on July 15 shows a deficit considerably widened from April's seasonally adjusted 9.9 billion dollars.

At present, analysts generally expect an adjusted May deficit of between 10 billion and 12 billion dollars. Expectations of a wider trade gap are partly attributed to a rebound in imports, which dropped sharply in April and cut the trade deficit to its lowest level in more than three years.

On June 22, the dollar started a persistent rise after six months of relative stability. Having gained between five and six percent against the yen and Deutsche mark, it was quoted at 1.8424 marks and 133.16 yen in late New York trading yesterday.

The U.S. currency will probably keep its strength in coming weeks due to various favorable factors.

First, the rise of the dollar stems in large part from the narrowing trade gap, especially the increase in U.S. exports, which improves its financial position.

Then, the growth tempo of the U.S. economy is also sound, with an adjusted 3.9 percent annual growth rate of GNP for the first quarter, and a revised forecast of 3.5 percent annual growth from 2.9 percent.

Too-slow growth would spark a recession, and a too-fast growth rate would trigger higher inflation. A low 4.3-percent inflation rate forecast for this year will continue to encourage foreign investors to buy dollars for investing in U.S. assets.

Thirdly, relatively high U.S. interest rates also helps spur foreign investment in the United States, which increases the demand for the dollar. In mid May, major U.S. banks raised their prime rate to 9 percent from 8.5 percent, higher than the 7.5 percent in Britain, 6 percent in Federal Germany, and 3.37 percent in Japan.

In addition to the economic factors that have contributed to the attractiveness of the dollar, there is a lack of strong intervention from major central banks.

The U.S. Federal Reserve, although joining other central banks in selling the dollar yesterday, would not like to press down the dollar for fear of igniting higher inflation. The prices of imported goods would rise further if the dollar falls down.

The Fed prefers a low profile in the coming months in the presidential election year, so its preference may be a dollar stabilized at the current level, at least between now and November, analysts said.

Although the central banks of Switzerland, Italy, the Netherlands, Austria and Belgium joined the Bundesbank in selling the dollar with what traders called fairly small amount, analysts said these countries would not press the dollar too low for fear of being hurt by the domino effect of a U.S. recession.

The Bank of Japan has not yet joined the intervention. If it sells dollars, it pushes up the yen, tending to weaken the consumer-fueled boom in Japan, economists said.

Japan may eventually have to tighten credit to cool off the boom, but it may prefer to base the timing on its domestic needs, not on the buoyant dollar, the economists said.

Northeast Asia

NPC Vice Chairman Briefs DPRK's Kim Il-song
OW1307202588 Beijing XINHUA Domestic Service
in Chinese 1347 GMT 13 Jul 88

[By reporter Zheng Baoqin]

[Text] Pyongyang, 13 Jul (XINHUA)—During a meeting with the Chinese NPC delegation headed by NPC Standing Committee Vice Chairman Xi Zhongxun, Kim Il-song, president of the DPRK, expressed the conviction that China's reform and open policy will continue to expand and develop.

Kim Il-song briefed the Chinese delegation on the successes Korea has achieved in the development of power, coal, steel, and chemical industries, and railway transportation, as well as his visit to the People's Republic of Mongolia not long ago. After Vice Chairman Xi Zhongxun briefed him on China's political and economic reforms, President Kim Il-song said that, in the name of the Korean party, government and people, as well as himself, he wished to express his heartfelt congratulations on the successes China has achieved in carrying out reform and opening to the outside world. He also expressed the conviction that China's reform and open policy will continue to expand and develop. He said he is pleased by the achievements China has scored in implementing the resolution adopted by the 13th CPC National Congress and in the struggle of carrying out reform, opening to the outside world, and launching the four modernizations drive. President Kim Il-song said: "Your successes are also ours. The stability and unity

that you have attained, and the successes you have scored in modernization, reform, opening up, and building a stronger country mean that we have a stronger rear area. A stronger rear area is a great encouragement for the struggle of our people. We believe that you are always our vast rear area. We firmly believe that the friendship and unity between the peoples of Korea and China will be further consolidated and developed in the future."

After the meeting, President Kim Il-song gave a luncheon in honor of all the members of the Chinese NPC delegation.

NPC's Ni Zhifu Hosts DPRK Trade Union Group
OW1307133988 Beijing XINHUA in English
1120 GMT 13 Jul 88

[Text] Beijing, July 13 (XINHUA)—Ni Zhifu, vice-chairman of the National People's Congress Standing Committee, met and feted a delegation from the General Federation of Trade Unions of the Democratic People's Republic of Korea led by its chairman Kim Pong-chu here this evening.

Kim visited China in 1980 and 1983. His current trip is a return visit to Ni who had toured Korea in May, 1986.

This afternoon Ni, also president of the All-China Federation of Trade Unions, held talks with Kim. They briefed each other on their respective countries' political and economic situation and work on trade unions.

Both of them expressed desires to further expand friendly relations and cooperation between the workers of the two countries.

DPRK Media Oppose South Korea's Unification Plan
OW1307142888 Beijing XINHUA in English
1047 GMT 13 Jul 88

[Text] Pyongyang, July 13 (XINHUA)—The local press today here inveighed against South Korean "President" No Tae-u's July 7 special declaration on national reunification, saying it serves only to make the division of the Korean peninsula permanent.

The party paper "NODONG SINMUN" said No's declaration can be neither a reunification blueprint nor a peace proposal. On the contrary, the paper said, it harbors a splittist scheme of creating "two Koreas."

No made a six-point special declaration on July 7, calling for improved inter-Korean relations through trade and two-way visits. He said his proposals are aimed at opening the way for the eventual reunification of the Korean nation.

"MINJU CHOSON" said No's call for "cross-border" trade and personnel exchanges is intended to legalize "two Koreas."

"PYONGYANG SINMUN" said that so long as the U.S. troops remain in South Korea, a peaceful reunification of the Korean peninsula cannot be achieved.

Since South Korea cannot abandon its anti-communist policy, it is impossible for the South of Korea, through cooperation and exchanges with the North, to realize the eventual national reunification, the paper said.

The Committee for the Peaceful Reunification of the Fatherland issued a statement Monday clarifying the stand of the northern side of Korea towards No's declaration.

What the South Korean authorities seek, the statement said, is to "idle away time while conducting exchanges and trade between the North and the South, freeze the division internally and legalize two Koreas' by establishing relations of cross contacts respectively with friendly relations' of both sides externally." (Meaning unclear) [editorial notation as received]

It said if South Korea truly wants dialogue and reunification, it should agree to the northern side's proposal for the convening of a North-South joint conference attended by authorities, representatives of all political parties and public groups, and people from all walks of life in both sides of Korea.

If South Korea truly intends to recognize the North and South of Korea as a national community and make their relations cooperative, it must cancel the single-hosting of this fall's Seoul Olympic games, the statement said.

New Envoy Yang Calls For Closer Ties to Japan

OW1307171988 Beijing in Japanese to Japan
1430 GMT 12 Jul 88

[Text] New Chinese Ambassador to Japan Yang Zhenya gave an address in Japanese at a welcome reception hosted by Japanese-Chinese friendship organizations and called for promotion of long-lasting friendship between the two nations. His speech received warm applause.

The reception welcoming Ambassador Yang Zhenya was given at the New Otani Hotel in Tokyo yesterday, cohosted by the Japan-China Friendship Association, Japan International Trade Promotion Association, Japan-China Cultural Exchange Association, Diet Members' League for Japan-China Friendship, Japan-China Economic Association, and Japan-China Association.

Before an audience of more than 1,200, Ambassador Yang Zhenya gave his speech of greetings in fluent Japanese and highly commended the contributions made toward the promotion of Chinese-Japanese friendship by the six organizations hosting the reception. He also said: The Chinese Government is attaching great importance to the further development of friendly and cooperative relations with Japan. To uphold and further develop

friendly Chinese-Japanese relations will not only bring mutual benefits to both nations and their peoples but also have a very important significance for the defense of peace in Asia and the rest of the world.

Since the two countries have different social systems and different histories, it is difficult to avoid some problems that may arise in the process of developing relations. What is important is to stand firm on the spirit of the China-Japan Joint Statement, the China-Japan Peace and Friendship Treaty, and the four principles of Chinese-Japanese relations; to tackle pending problems while looking to the future; and to make efforts to avoid situations wherein such problems may affect or damage relations between the two countries.

Ambassador Yang also referred to Prime Minister Takeshita's visit to China scheduled for next month and said that mutual understanding will be increased through his visit. He noted that this visit can be a stepping stone for expansion of exchanges in various fields, including economic cooperation, and also for further development of friendship and cooperation. He expressed strong confidence in the future of Chinese-Japanese relations.

Ryoichi Kawai, chairman of the Japan International Trade Promotion Association, spoke on behalf of the organizations hosting the reception. Noting that this year marks the 10th anniversary of the conclusion of the Japan-China Peace and Friendship Treaty, he said that a page is being turned in the history of Japanese-Chinese relations and that improved relations are now called for, in both quality and quantity. He said it is very fortunate that Ambassador Yang, who is knowledgeable about Japan, is assuming his new post at this juncture. Our expectations are great, he added.

Exports to Japan Increase by 38.6 Percent

OW1307201988 Beijing XINHUA to English
1520 GMT 13 Jul 88

[Text] Tokyo, July 13 (XINHUA)—Japan's trade with China will probably go into deficit this year after five consecutive years of surpluses, according to statistics released here today by the Ministry of International Trade and Industry (MITI).

MITI announced Tuesday that based on the statistics, Japan posted a 498 million dollar trade deficit with China in the first half of this year.

In the first six months, the volume of Japanese exports to China stood at 4.088 billion U.S. dollars, an increase of 3.4 percent over last year. In the same period, Japanese imports from China were valued at 4.586 billion U.S. dollars, up 38.6 percent over last year.

According to MITI, the imports of such items as crude oil and foodstuffs rose on a large scale.

Banks Sign Agreement for 7-Billion-Yen Loan

OW1307001188 Tokyo KYODO in English 0630 GMT 12 Jul 88

[Text] Tokyo, July 12 KYODO—The Export-Import Bank of Japan said Tuesday it has signed an agreement with the Bank of China, China's foreign exchange bank, under which the Japanese bank will provide a yen-denominated untied loan for a Chinese Oil Development Project.

Under the agreement the Exim Bank is to extend a loan of up to 7 billion yen for the Chinese project in Henan Province.

The agreement was based on a memorandum signed between the two banks in December 1984, covering the second round of bank loans for Chinese resource-development projects amounting to a maximum 580 billion yen, the bank said.

Of the total 580 billion yen loan program, the framework of some 325 billion yen worth has been decided, including the current loan agreement, the bank said.

CPC's Bo Yibo Meets Japanese Trade Delegation

OW1307134988 Beijing XINHUA in English 1057 GMT 13 Jul 88

[Text] Beijing, July 13 (XINHUA)—Bo Yibo, honorary president of the China Council for the Promotion of International Trade (CCPIT), met with Shoichi Akazawa, chairman of Japan External Trade Organization (JETRO), and his party here this evening.

Bo, also vice-chairman of the Central Advisory Commission of the Chinese Communist Party, said he was glad to see that the JETRO has maintained the longstanding, good cooperative relations with the CCPIT.

After the meeting, President of the CCPIT Jia Shi hosted a banquet in honor of the Japanese guests, and Bo was present on the occasion.

Sino-Japanese Oilfield Ends Productive 1st Year

HK1307140588 Beijing CEI Database in English 13 Jul 88

[Text] Tianjin (CEI)—The Chengbei oilfield, opened up by a Sino-Japanese Corporation, has turned out 344,000 tonnes of crude oil since it went into operation last year.

The oilfield was put into production on June 30 last year, and then its management was transferred to the Chinese side. It is China's first modernized offshore oilfield constructed in accord with the international standards.

An official concerned revealed that the Sino-Japanese Bozhong 28-1 oilfield has completed the drilling of eight oilwells and the assembling of the southern and northern platforms for oil extraction.

He said that the first tanker of crude oil will be shipped to Japan this year. The drilling of another oilfield in the area has been well underway and will be put into commercial production next year.

Southeast Asia & Pacific

Hu Qili, Rong Yiren Meet Australia's Hayden

OW1307115288 Beijing XINHUA in English 0738 GMT 13 Jul 88

[Text] Beijing, July 13 (XINHUA)—Hu Qili, Standing Committee member of the Political Bureau of the Chinese Communist Party Central Committee, met here today Bill Hayden, Australian minister for foreign affairs and trade.

Briefing Hayden on China's reforms and open policy, Hu said that improvement of the economic results of enterprises serves as an instrument and basis in solving problems arising from China's price and wage reforms.

Both Hu and Hayden expressed satisfaction with the development of Sino-Australian relations in recent years.

Rong Yiren, vice-chairman of China's National People's Congress Standing Committee, also met Hayden here this morning.

RENMIN RIBAO Reports Sihanouk's Resignation

HK1307114888 Beijing RENMIN RIBAO in Chinese 12 Jul 88 p 1

[Report by RENMIN RIBAO reporter Liu Aicheng (0491 1947 2052): "Samdech Sihanouk Resigns His Post as President of Democratic Kampuchea"]

[Text] Bangkok, 11 Jul—Samdech Norodom Sihanouk issued a statement here today announcing that he had resigned his post as president of Democratic Kampuchea.

Signed by Samdech Sihanouk yesterday, this statement said: "Due to some important reasons that are inconvenient for me to explain, I have decided to resign as president of Democratic Kampuchea as of 10 July 1988, and I hereby nominate Prince Norodom Ranariddh as my representative in the Coalition Government of Democratic Kampuchea."

The statement also said that Samdech Sihanouk would cancel the previously scheduled visits to some ASEAN countries and Japan and that he hoped the leaders of these countries would make allowances for his decision. Samdech Sihanouk also announced that he would leave Bangkok that evening for Paris, France.

Lao Envoy on Cambodia, Ties to Khmer Rouge
HK1407091288 Hong Kong AFP in English
0858 GMT 14 Jul 88

[By Patrick Lescot]

[Text] Beijing, July 14 (AFP)—China views the Khmer Rouge as more certain allies than Cambodian resistance leader Prince Norodom Sihanouk. Laos's first ambassador to China in nine years said here.

But "China must not lose sight of world opinion" said Phongsavat Boupha, in a reference to Beijing's political and military support for the Khmer Rouge, the most powerful faction in the tripartite resistance movement.

The 45-year old Mr. Phongsavat is a Soviet specialist who previously worked in Laos' Moscow embassy. He arrived here last month following moves by Vientiane and China to normalize once close relations.

His presence in Beijing, representing a country allied to Vietnam and Cambodia, signals the start of moves towards a rapprochement between China and pro-Soviet Indochina, observers said.

"The Chinese told us—you are friends with the Vietnamese. So, tell them this or that...", he said, in a comment on normalization talks between the two countries last year.

"But China was forced to admit that we were very strongly allied with Vietnam", he added. Sino-Lao relations soured after a brief 1979 border war between China and Vietnam, but though the countries recalled their ambassadors they maintained diplomatic links.

The war followed Vietnam's invasion of Cambodia in 1978 to oust the bloody Khmer Rouge regime of Pol Pot and install a new government in Phnom Penh.

Mr. Phongsavat said that the Khmer Rouge remained the most powerful faction in the 50,000-strong Cambodian resistance due to the support of China.

"China told us that the Khmer Rouge forces cannot be done away with," the ambassador said.

He added that Beijing lends verbal support to Prince Sihanouk, the only resistance figure of international stature, but still regarded the Khmer Rouge as its most certain ally in Indochina despite its bloody reputation.

China has never officially condemned Pol Pot's regime, which has been accused of killing hundreds and thousands of Cambodians during its 1975-79 rule.

Prince Sihanouk announced in Bangkok in Monday that he was resigning as head of the Cambodian resistance to seek exile in France. On his arrival in Paris Tuesday he accused Khmer Rouge forces of attacking his supporters.

On Sino-Lao relations Mr. Phongsavat said that security was the most pressing problem in rebuilding confidence between the neighbors.

"The Chinese have assured us they will close all the training camps in Yunnan province which they had established near the (Sino-Laotian) border for Laotian counter-revolutionary guerrillas", he added.

"And it is true that the rebel activities have effectively been reduced since then," Mr. Phongsavat said.

Despite differences over the Cambodia problem Laos has attempted to take the normalization process a step further by renewing economic ties with Beijing. Cross-border trade has resumed between the two countries, the Laotian ambassador said.

Laos, with a population of some 3.5 million, ranks among the world's 20 poorest countries.

Radio Commentary on Troop Withdrawal From Cambodia
BK1307102688 Beijing in Cambodian to Cambodia
1030 GMT 11 Jul 88

[Station commentary: "Why Did Vietnam State That the Problem of Its Troop Withdrawal From Cambodia Has Been Resolved?"]

[Text] Recently, Vietnamese Deputy Foreign Minister Tran Quang Co said that the withdrawal of Vietnamese troops and the elimination of the Pol Pot clique are two keys for the solution to the Cambodian problem and that a key problem—the withdrawal of the Vietnamese troops in Cambodia—has already been resolved; therefore, the only thing to watch for is the attitude of the parties concerned regarding the elimination of the Pol Pot clique.

This remark by this Vietnamese deputy foreign minister seems to imply that the obstacle to the political settlement of the Cambodian problem no longer comes from the Vietnamese who are the aggressors, but from the patriotic Cambodian resistance forces and countries concerned which have championed the idea of seeking a reasonable political solution to the Cambodian problem instead.

It is widely known that there are 120,000 to 150,000 Vietnamese aggressor troops in Cambodia at present. Though Vietnam has announced that it would withdraw 50,000 troops from Cambodia this year, this partial troop withdrawal would proceed without any international supervision and would be difficult to check or observe. It would be hard to ascertain whether this troop withdrawal is real or a sham, and there would be no specific guarantee for it. Moreover, Vietnam has so far consistently rejected setting an earliest deadline for the withdrawal of all its troops from Cambodia. This shows that the question of Vietnamese troop withdrawal from Cambodia is far from settled.

However, in such a situation, Vietnam still continues stubbornly to contend that the troop pullout problem has been resolved, and says that it now wants to eliminate a group in the patriotic Cambodian forces. Vietnam's intention is to evade the troop pullout problem, which is the essential question, and to shift the pressure of international opinion from Vietnam to the patriotic Cambodian forces and countries which have championed the idea of resolving the Cambodian problem reasonably and equitably. This is a new scheme that Vietnam plans to launch in the new situation around the quest for a political solution to the Cambodian issue. The objectives of Vietnam's new scheme are as follows:

First, the 21st ASEAN foreign ministers conference and the conference between the ASEAN foreign ministers and their dialogue partners in early July would mainly discuss the Cambodian problem and demand that Vietnam withdraw its troops from Cambodia. The Vietnamese authorities would then say that the troop pullout problem had already been resolved even before these two conferences were held, meaning that they attempted to change the fundamental stance of the two conferences. Subsequent developments, however, have proved that this attempt has failed.

Second, at the end of July the informal conference on Cambodia will be held in Jakarta. The international community has called for a direct meeting between Vietnam and Samdech Sihanouk and the CGDK [Coalition Government of Democratic Kampuchea] in order to discuss the Vietnamese troop withdrawal from Cambodia. Vietnam has said that the troop pullout question has been settled. It attempts to fool opinion about the true nature of the aggression and the victims of aggression in the Cambodia, calling it Cambodia's internal war and claiming to be outside the Cambodian problem, using this as grounds for them to refuse to hold direct talks with Samdech Sihanouk and the CGDK.

Third, the international community is now busily conducting diplomatic activities in quest of a political solution to the Cambodian problem, putting forward all kinds of proposals and plans. In this situation, the Vietnamese authorities have declared that the question of troop withdrawal has already been resolved, and urged all parties concerned to join them in eliminating a faction of the patriotic Cambodian forces which is an opponent that they cannot get rid of on the battlefield. In so doing, they intend to create a government with the group of Heng Samrin as the main actor, a government that Vietnam can keep under control as before.

Fourth, the 43d UN General Assembly will be held next November. Vietnam has contended that the question of troop withdrawal has already been resolved even before the opening of this UN General Assembly, attempting to prevent this General Assembly from adopting a resolution that would demand that Vietnam withdraw its troops so as to get itself out of the seat of the accused.

The scheme and all kinds of attempts spawned by Vietnam's claim that the question of troop withdrawal has already been resolved have shown that Vietnam's stance in committing aggression against Cambodia has not changed at all. This should be cause for countries and people who have championed the idea of settling the Cambodian problem equitably and reasonably to thoroughly examine and thereby to further raise their vigilance.

Commentary on SRV Reaction to ASEAN Statement
BK1307025588 Beijing in Cambodia to Cambodia
1030 GMT 12 Jul 88

[Station commentary: "Another Revelation"]

[Text] The 21st conference of ASEAN foreign ministers was concluded on 5 July with the adoption of a resolution which again condemns Vietnam's illegal occupation of Cambodia and demands that Vietnam quickly withdraw all of its troops in Cambodia. Apart from this, the resolution also demands that Vietnam support and take part in the forthcoming informal meeting in Jakarta, and strive to make it successful.

Vietnam has insolently criticized this reasonable statement, which strives to resolve the Cambodian problem politically, saying it is hostile, inactive, and destructive to a solution to the Cambodian problem, and so on. Vietnam's words and actions have once again shown that it has not changed its aggressive, expansionist stand and it has no goodwill whatsoever to resolve the Cambodian issue reasonably.

A solution to the Cambodian problem is currently the focus of the international community. To avoid being scorned by international opinion, the Vietnamese authorities have played many tricks to get themselves out of the impasse. They have tried to make up a situation claiming they have resolved the issue of troop pullouts through the so-called partial troop withdrawal. This has led some people to have blurred vision on this key issue. The Vietnamese have tried to portray themselves as an outside party to the Cambodian problem and have made up excuses not to hold direct talks with Samdech Sihanouk and the Coalition Government of Democratic Kampuchea. They have tried to use every means to conceal the true nature of the war of aggression in Cambodia and opposition to this war, and to make it appear to be a civil war. They say that the Cambodian problem is an internal issue in order to avoid the important role they have to play in resolving the Cambodian problem. The Vietnamese keep dreaming about their attempt to get others to help them throw out a party of the Cambodian resistance, which they have spent 10 years trying to destroy in vain, and to set up a government with the current Phnom Penh state authorities as a core, which is willing to serve the Vietnamese.

The reason for the Vietnamese authorities taking this opportunity to carry out the above-mentioned maneuvers is because they have spent 10 years fighting the war of aggression in Cambodia. This has ruined Vietnam's economy. Almost all of its national forces have disappeared. The Vietnamese people's living standards are deteriorating, and Vietnam no longer has any hope of winning this war.

In the international arena, Vietnam is very isolated. However, it still refuses to abandon its aggressive and expansionist stand. It is bogged down in Cambodia and wants to get out of the impasse but does not want to give up aggressive interests in their grip. This is why Vietnam has to resort to deceitful maneuvers. This shows the Vietnamese authorities' weakness and intransigence, which have been on display for a long time. The Vietnamese authorities have carried out these maneuvers countless times; the majority of justice-loving countries and people will not be fooled.

The fact that the Vietnamese authorities have scornfully criticized the ASEAN foreign ministers' meeting statement clearly shows that this statement has hit the weak point of Vietnam, which is not sincere in resolving the Cambodian problem politically. The Cambodian problem is a result of Vietnam's act of aggression. To resolve the problem, Vietnam should genuinely pull its forces out of Cambodia. This is the key to solution of the Cambodian problem.

When the Vietnamese authorities attacked the ASEAN foreign ministers' meeting statement, they repeatedly shouted that ASEAN should respect the aspirations of people in Southeast Asia and the world and take a constructive stand. However, the reasonable thing is for the Vietnamese authorities to respect the aspirations of the people in Southeast Asia and the world, abandon their expansionist and aggressive stand, and adhere to a constructive attitude in order to reasonably and justly resolve the Cambodian problem, which was created entirely by the Vietnamese.

Vietnam Returns Remains of 25 U.S. Servicemen
OW1307133488 Beijing XINHUA in English
1203 GMT 13 Jul 88

[Text] Hanoi, July 13 (XINHUA)—A U.S. Pacific Command spokesman said here that Vietnam returned the presumed remains of 25 U.S. soldiers missing in action (MIA) during the Vietnam war to a U.S. Army delegation.

Major Tim Pfister said Vietnam also rendered information on seven other MIA cases. The 25 bodies will be flown to the U.S. Army Identification Center located in Hawaii, he added.

Pfister said the U.S. Government "appreciates" the initiative by Hanoi and hopes this will be just one of many continued steps to resolve this longstanding humanitarian issue.

This was the fifth restitution of its kind since U.S. President Ronald Reagan's special envoy visited Hanoi in August 1987. Vietnam says it has returned the remains of 241 Americans, including today's 25.

Near East & South Asia

Trade With Arab Countries Develops Rapidly
OW1407083188 Beijing XINHUA in English
0631 GMT 14 Jul 88

[Text] Beijing, July 14 (XINHUA)—China and Arab countries have witnessed a rapid development in trade relations in the last year or two.

The English-language "CHINA DAILY" reported bilateral trade, which dropped from 1.6 billion U.S. dollars in the early 1980s to 980 million U.S. dollars in 1986 because of the fall in petroleum prices on the world market, rose to 1.12 billion U.S. dollars last year. About 840 million U.S. dollars of this was made up of China's exports.

"This year's trade volume between China and the Arab countries will surely exceed last year's," said Liu Guosheng, of the Ministry of Foreign Economic Relations and Trade.

China has established direct trade relations with all Arab countries, although some such as Saudi Arabia and Bahrain do not have diplomatic relations with the country.

China has also signed governmental trade agreements or annual trade protocols with 18 countries in the region.

Trade between China and Arab countries is paid in cash. The two sides have also developed barter trade in recent years.

China's chief exports to Arab countries are textiles, garments, light industrial products, stationery, sports goods, cereal and oil products, hardware, chemical products and machinery.

Imports from these countries are chemical fertilizers, cotton, wheat, steel products, aluminium ingots and boats for scrap use.

Although China's exports to Arab countries have witnessed rapid development recently, Chinese goods account for only one percent of the Arabian market. "There is a great potential for trade between the two sides," Liu said.

Although they make up such a small percentage of the Arabian market, Chinese commodities sell well there because of their good quality and reasonable prices, he said.

West Europe

Military Leaders Meet Turkish Air Force Chief *OW1307122188 Beijing XINHUA in English* *0707 GMT 13 Jul 88*

[Text] Beijing, July 13 (XINHUA)—Qin Jiwei, Chinese state councillor and minister of National Defense, and Chi Haotian, chief of General Staff of the Chinese People's Liberation Army (PLA), respectively met Cemil Cuha, Turkish Air Force commander, Mrs Cuha and their party here today.

The hosts and guests exchanged views on strengthening Sino-Turkish friendly ties and promoting mutual understanding and contacts between Air Forces of the two countries.

Wang Hai, commander of the Air Force of the PLA, was present at both meetings.

Sino, Italian Firms To Build Ethylene Plant *HK1307142188 Beijing CEI Database* *in English 13 Jul 88*

[Text] Haikou (CEI)—An Italian chemical firm and the China Hainan Petrochemical Corporation have recently signed a letter of intent on jointly setting up a large ethylene plant in Hainan Province.

The project involves an investment of 580 million U.S. dollars. When it goes into production, its annual output value will reach three billion yuan.

The plant will be built in the Yangpu Port industrial zone in the northwestern part of Hainan Island.

Personnel from the Italian firm have arrived in the island on a study tour. The feasibility study on the project is expected to be completed in August.

'Roundup' on Reaction to Soviet Arms Proposal *OW1307113788 Beijing XINHUA in English* *0821 GMT 13 Jul 88*

["Roundup: Gorbachev Arms Proposal Draws Mixed Reviews in Western Europe (by Xiaong Changyi)"—XINHUA headline]

[Text] Beijing, July 13 (XINHUA)—The surprising offer made by Soviet leader Mikhail Gorbachev to withdraw a number of Soviet jet fighters from Eastern Europe in exchange for Italy not deploying 72 American F-16 fighter bombers has drawn mixed reviews throughout Western Europe.

Gorbachev made the proposal during a speech before the Polish Parliament in Warsaw Monday, where he is on a six-day official visit.

He also proposed a summit of the heads of government of Eastern and Western Europe on the issue of conventional arms limitation.

Italian Prime Minister Ciriaco de Mita welcomed Gorbachev's proposal. In a press release in Rome, he said Gorbachev's offer "completely confirms the validity for peace and disarmament of Italy's decision to host the F-16s on its territory."

"The Soviet Union, with the realism and the intelligence that marks its present politics, realized that requests for unilateral disarmament are unacceptable and that, to avoid the transfer of the F-16s on the southern flank of NATO, the only way is to confront the problem of balanced conventional disarmament in Europe."

De Mita also said that Italy, in consultation with the United States and the other NATO allies, is ready to make every effort to achieve a balanced reduction in conventional arms.

But Manfred Woerner, secretary general of the North Atlantic Treaty Organization, in a statement issued in Brussels, rebuffed the offer, saying NATO's priority was to cut land forces.

"We are committed to establishing a stable and secure balance of conventional forces at the lowest levels in Europe," he said. "A focus on aircraft does not meet this central requirement."

"We need asymmetrical reductions, notably in tanks and artillery, in order to eliminate the most worrying disparities," he said.

"On their own, aircraft do not capture and hold territory, a threat of particular concern to NATO," he continued. "Further, the difficulties of verification are compounded by the ability to redeploy air forces quickly from one theatre to another."

The Western alliance has also given a cool response to Gorbachev's proposal on a pan-European summit on reduction of conventional forces stationed in Europe.

In the Hague, a Dutch Foreign Ministry spokesman said Gorbachev's pan-European summit proposal "seemed to leave out the United States and Canada."

"That's not the way we discuss stability and security in Europe. When speaking of conventional stability in Europe and lowering of conventional levels, we have the so-called conventional stability talks in Vienna. That's where we should come to terms," he said.

He added, "We don't want a decoupling between us and our allies at the other side of the (Atlantic) Ocean."

The multi-balanced troop reduction (MBFR) negotiations in Vienna began in October 1973. It has produced little progress in the past 15 years.

In London, a Foreign Office spokesman said that the British Government would study Gorbachev's proposals "carefully," but added "the place where we believe there should be negotiations and reduction in conventional imbalance is Vienna."

Volker Ruehe, arms expert for the German Christian Democratic Union and Christian Socialist Union, said a forum for talks on troop reduction in Europe already exists and "we don't need to create a new forum."

Although the Soviet proposal is encouraging and indicates more willingness to consider Western security interests, Soviet sincerity in reducing conventional forces has yet to be tested," he said.

However, opposition leaders in Federal Germany said the proposals should be taken seriously.

During a visit to the Luxeuil-les-Bains Air Base in Eastern France, President Francois Mitterrand said Gorbachev's proposal is "interesting," and added that certain political conditions must be met before he would consider commenting upon the proposal.

However, he did not rule out the possibility of a kind of decoupling between Europe and the United States.

The French president also reaffirmed that he would give priority to the realization of a reduction in conventional arms in Europe.

Public opinion in Western Europe agreed that Gorbachev's twin proposals seemed to represent another media victory in his propaganda drive.

However, some Western European leaders expressed the worry that Soviet foreign policy towards Europe was aimed primarily at "decoupling" NATO's European allies from the United States and Canada.

FRG Ruling Party Rejects Soviet Summit Plan

*OW1307101788 Beijing XINHUA in English
1558 GMT 12 Jul 88*

[Text] Bonn, July 12 (XINHUA)—Federal German Christian Democratic Union (CDU) and Christian Social Union (CSU) today rejected the proposal for an all-European summit put forward by Soviet leader Mikhail Gorbachev in Warsaw.

Michaela Geiger, spokeswoman for CDE/CSU parliamentary group, said Gorbachev's proposal was not different from the suggestion of building a confidence area in Europe by the opposition, the Social Democratic Party of Germany and Democratic Germany's Socialist Unity Party.

She said she welcomed the Soviet leader's talk on conventional arms reduction in Europe but rejected his demand that the United States should not deploy in Italy F-16 fighters pulled out from Spain.

Geiger noted that the reduction of 500,000 army men in countries from the Warsaw Pact and NATO respectively was unacceptable, because in this way the unbalanced armament would be fixed unfavorable to the West.

East Europe

Qian Qichen Meets CSSR Vice Foreign Minister

*OW1307134588 Beijing XINHUA in English
1108 GMT 13 Jul 88*

[Text] Beijing, July 13 (XINHUA)—Chinese Foreign Minister Qian Qichen met here this afternoon with Evzen Vacek, vice-foreign minister of Czechoslovakia, and his party.

Vacek is here to exchange views with the Chinese side on the question of the United Nations in accordance with a cooperation protocol reached between the foreign ministries of the two countries.

Vacek who arrived here this morning, is scheduled to leave for home Friday.

Publishing House Celebrates GDR Book Award

*OW1307080088 Beijing XINHUA Domestic Service
in Chinese 1159 GMT 6 Jul 88*

[By reporter Li Guangru]

[Excerpts] Beijing, 6 Jul (XINHUA)—The People's Fine Arts Publishing House has for 3 years in a row won the award for "the world's most beautiful book" at the Leipzig International Book Exposition. [passage omitted]

The State Media and Publications Office and the Chinese Publishers Association held a meeting today to celebrate the achievement. Leading comrades Nei Xingwen, Zhou Gucheng, Wang Renzhong, and Zhao Puchu attended the meeting and extended their warm congratulations to the People's Fine Arts Publishing House on its winning the honor for our country. [passage omitted]

The GDR ambassador to China, his wife, and the embassy officials in charge of cultural affairs also attended the meeting.

Latin America & Caribbean

Argentine President Receives CPC Delegation

*OW1207110388 Beijing XINHUA in English
0622 GMT 12 Jul 88*

[Text] Buenos Aires, July 11 (XINHUA)—Argentine President Raul Alfonsin received members of a delegation of the Communist Party of China at the presidential residence today.

The delegation was led by Lin Ruo, member of the Central Committee and secretary of the party's provincial committee of Guangdong.

The improvement of ties between the two nations was discussed during the meeting. Alfonsin stated that relations between Argentina and China are very good, but that they should be strengthened even further. He said

that the conversations with Chinese leaders during his visit to China were very significant and that the perspectives for cooperation between the two countries will be very extensive.

Today at noon, the Chinese delegation called on the president of the House of Deputies, Juan Carlos Pugliese, and the president of the Senate, Victor Martinez, and was well received.

At the invitation of the Radical Civil Union (UCR) of Argentina, the delegation arrived July 7 in Buenos Aires on a good will visit. During their visit, the Chinese delegation met with leaders of the National Committee of the UCR, and took a trip to the province of Cordoba, where they attended a celebration of Argentina's independence on July 9.

The delegation will end the visit on Tuesday and return to China.

Tibet Leader Relays Qiao Shi Instructions
*HK1407024488 Lhasa Tibet Regional Service
in Mandarin 0000 GMT 14 Jul 88*

[Text] Doje Cering, deputy secretary of the Tibet Regional CPC Committee and chairman of the regional government, has made a speech at a regional meeting of prefectural and city party committee secretaries. Relaying the spirit of the instructions delivered by Qiao Shi, member of the Standing Committee of the CPC Central Committee Political Bureau and secretary of the Central Discipline Inspection Commission, he said: We must take a firm and clear-cut stand in informing the masses in Tibet that there can be no restoration of reactionary rule in Tibet. The dream of the separatists to split the motherland can never be attained. Tibet can never be separated from the leadership of the CPC or from the PLA. Tibet can only prosper, develop, and enjoy bright prospects in the great family of the PRC.

This meeting concluded in Lhasa on 11 July after 2 and ½ days in session. During the meeting, Comrade Doje Cering relayed the spirit of Comrade Qiao Shi's instructions. On behalf of the regional party committee, he also outlined the main tasks for the region at present. Comrade (Ma Lishang) spoke on current economic work issues. Comrade Gyanincain Norbu delivered a summation.

Relaying Comrade Qiao Shi's instructions, Comrade Doje Cering said: The fundamental thing in stabilizing and developing Tibet and promoting the progress of all work is to base our efforts on developing the social productive forces and do a thoroughly sound job in economic construction. The fundamental task of socialist construction proposed by the 13th National CPC Congress is the guiding idea for developing the productive forces and fully accords with Tibet reality. We must seriously implement this fundamental guiding idea in economic construction in Tibet. In carrying out economic construction in Tibet we must analyze the characteristics of natural economy and explore a way of developing the productive forces on the basis of natural economy. We should absolutely not copy the experiences of advanced areas. We must all sum up the positive and negative experiences and lessons of the past, and create new experiences in changing Tibet's economy from closed to open style, from supply style to operational style, and from natural economy to commodity economy.

Relaying Comrade Qiao Shi's instructions, Comrade Doje Cering said: The whole of Tibet from top to bottom must take the initiative in promoting unity. Strengthening internal unity in all respects is the basic guarantee for making a success of all work, developing all construction undertakings, and winning victory in the struggle against separatism. Preserving the unity of the motherland and building socialism with Chinese characteristics represents the common political foundation for unity, and also represents the goal of our unity. Our thinking and

actions must be subordinate to this great goal. It is extremely important to strengthen unity in all respects and between Hans and Tibetans, aiming at this great goal. It can be said that this is the cardinal link in all aspects of unity.

The Hans and Tibetans have long forged unbreakable close relations over the long course of historical development. Now that the fundamental interests of Hans and Tibetans are identical, they should unite even more closely. The idea that Hans and Tibetans cannot do without each other existed in the past, remains so now, and will remain so in the future.

Strengthening Army-civilian unity is of particular significance in Tibet. The PLA units stationed in Tibet have carried forward the Army's glorious traditions and won undying merit in ensuring national defense and building a new Tibet. This is publicly acknowledged by everyone. It is inevitable that certain problems regarding certain matters will sometimes occur in Army-civilian relations. Such things are easy to resolve. So long as we base our efforts on the overall situation in continually taking the initiative to strengthen Army-civilian and Army-government unity, common efforts can be exerted in making still greater contributions to building Tibet.

Strengthening the unity of nationality, religious, and patriotic upper-strata figures within the patriotic united front is an important aspect of all work concerning unity. The nationality, religious, and patriotic figures in Tibet have cooperated and worked together with our party during more than 30 years of revolution and construction undertakings, undergoing various tests. They are an important and trustworthy force to be relied on. In the current effort to preserve the unity of the motherland, oppose separatism, and develop various construction undertakings, the nationality, religious, and patriotic figures in Tibet continue to play their proper and positive role. We must unswervingly unite with them, and also pay attention to promoting unity among them. We must guard against a handful of separatist elements sowing discord and undermining and sabotaging the unity of the united front.

Comrade Doje Cering said when relaying the spirit of Comrade Qiao Shi's instructions: The socialist cause is the cause of the millions of the masses. All our work must ultimately be implemented in the grass roots and comprehended and grasped by the millions of the masses through the grass-roots party organizations and government, and thus turn into the masses' spontaneous action. Only in this way can our work gain truly effective results. Hence, we must seriously step up the building of the grass-roots party organizations and government. This is the foundation of our people's democratic dictatorship. This cannot be relaxed whatever happens.

Comrade Doje Cering, relaying Comrade Qiao Shi's instructions, demanded that the leading party and government cadres at all levels frequently go deep into

reality and keep close touch with the masses, so as to get to know their views and demands and help them to solve practical problems and difficulties. He said: Keeping close touch with the masses is one of the party's three great work styles. This point is even more important in Tibet. Socialism in Tibet has grown from the feudal serf system. In the feudal serf society, the serfs and slaves, who formed the main body in society, lacked the most elementary human freedoms, and still less did they enjoy any political rights. Now their concept of democracy is still growing, and their ability to exercise democratic supervision over the party and government work personnel is rather weak. This objective reality requires that our party and government cadres, especially the leading cadres, should pay all the more attention to going deep into the grass roots and taking the initiative in keeping in touch with the masses, so as to listen to their views and cries and help them to promote production and develop the economy. At the same time, this will help to cultivate their sense of democracy.

Doje Cering said when relaying Qiao Shi's instructions: We must take a firm and clear-cut stand in informing the masses of all nationalities in Tibet: There can be no restoration of reactionary rule in Tibet. The dream of a handful of separatists to split the motherland can never be attained. Tibet cannot be separated from the leadership of the CPC or from the PLA. There cannot be the slightest ambiguity or flinching over this fundamental issue of principle. Nobody is capable of separating Tibet from the great PRC. Tibet is a part of the PRC. Nobody can change this historical fact. Tibet can only become a prosperous, flourishing, developing, and advancing new socialist Tibet in the great family of the PRC. Nobody can block this bright prospect.

After relaying the spirit of Comrade Qiao Shi's instructions, Comrade Doje Cering outlined a number of important tasks for the region at present:

1. The party committees at all levels must get a tight grasp of economic construction, the core task, and devote more time to studying and discussing the strategic ideas, long-term plans, and major policies and principles for the region's economic construction. They must organize and mobilize the cadres and people of all nationalities to devote all their efforts to the four modernizations. Over half of this year has now past, and economic work has reached a crucial stage. Whether bumper harvests can be achieved in agriculture and animal husbandry and the various economic targets fulfilled will be determined by our hard work in the second half of the year. The regional party committee calls on the prefectural and city party committees and the departments concerned to get a really good grasp of economic work and produce good results.

2. The leaders at all levels must do a good job in ideological work for the cadres, staff, and workers of their departments and units and unite as one to look ahead. Everyone's thinking should be brought into line

with the spirit of the instructions of the CPC Central Committee and Comrade Qiao Shi, and everyone's energy should be devoted to economic construction. We should promote extensive dialogue at various levels and give proper explanations and answers to the problems raised by the cadres and masses.

3. Strengthen the building of the grass-roots party and government organizations in ideology, organization, and work style. All prefectures, cities, and counties must place this work on the agenda. They must first grasp the building of the leadership groups and adopt various methods to train in batches the grass-roots party and government cadres of the districts and townships. They should care for the grass-roots cadres politically and in daily life. They must cherish and protect old activists, labor models, and advanced figures in the rural and pastoral areas, and pay attention to resolving their practical difficulties.

4. Strengthen the building of the party committees themselves. The party committees at all levels must persevere in collective leadership and bring democracy into full play. Members of the party committees must go deep into reality to investigate and study. The party committees and the party cadres must be free of corruption, oppose bureaucratism, and refrain from abusing powers. They must observe discipline and law, and spontaneously accept supervision by the party's discipline inspection departments and by the masses outside the party.

The meeting was attended by prefectural and city party committee secretaries, prefectural commissioners, and mayors, together with the principal responsible comrades of the regional departments, commissions, departments, and bureaus. Together with the leading comrades of the region, they studied and discussed Comrade Qiao Shi's instructions, and stressed that it is essential to handle correctly the relationship between stability and development. For Tibet to develop, it must have a stable social environment, otherwise, it will be very difficult to promote economic construction, and production cannot develop. Unless we must get a firm grasp of the cardinal link—developing the productive forces—economic work cannot be promoted and all other undertakings can hardly develop.

The participants pledged to study well the spirit of Comrade Qiao Shi's instructions, unite as one to look ahead, and concentrate efforts on grasping economic work, so as to bring about a new appearance to all work in the region.

CPC's Hu Qili Inspects Heilongjiang 3-11 July
OW1407091888 Beijing XINHUA Domestic Service
in Chinese 1209 GMT 12 Jul 88

[By RENMIN RIBAO reporter Wu Peizhen and XINHUA reporter Peng Yi]

[Text] Harbin, 12 Jul (XINHUA)—Hu Qili, member of the Standing Committee of the CPC Central Committee Political Bureau, and Wang Renzhi, director of the

Propaganda Department of the CPC Central Committee, made a study and investigation in Heilongjiang from 3 to 11 July. During their tour of the province, they expressed their views on such questions as the discussion on the criteria of the productive forces, strengthening the national spirit, being honest and upright in handling political affairs, and democratic consultation and dialogue.

Hu Qili and his entourage, accompanied by Secretary Sun Weiben of the Heilongjiang provincial party committee, inspected 25 basic units, including factories, neighborhoods, markets, schools, and rural villages, in the cities of Harbin, Zhaodong, Daqing, Mudanjiang, and Suifenhe during their 9-day tour. They had various discussions and wide-ranging conversations with political cadres, entrepreneurs, workers, peasants, college students and teachers, individual businessmen, slum-dwellers, and old people quietly enjoying their remaining years. Wherever he went, Hu Qili asked after people's health with deep concern and listened to their opinions and, together with cadres and people, analyzed the situation and discussed how to solve difficult problems in reform and in the daily life of the masses.

Hu Qili noted: Since spring, a study and discussion of the criteria for productive forces has been started in Heilongjiang Province. As a result, people in the province have further emancipated their minds, quickening the pace of reform and promoting economic development. Hu Qili cheerfully said: "This is very good. The provincial party committee has made tremendous achievements in this regard. This discussion is actually a continuation and development of the discussion on the criterion for truth and constitutes an important ideological preparation for us in tackling difficult problems in deepening reforms. It is necessary to continue to hold such a discussion extensively." He hoped that party committees in other localities would also organize cadres and people to hold such a discussion. Hu Qili reminded people that in discussing the criteria of the productive forces, they should not just sit there talking about principles and turn such a discussion into academic research; at the same time, they should also pay attention to avoiding narrow utilitarianism. One should not think that developing the productive forces means only making more money. Some people even fail to pay attention to social benefits and only seek profits by operating and managing with a short-term point of view. In developing productive forces, it is most fundamental to emancipate the mind and arouse people's enthusiasm and creativity. He said: Now attention should be paid to guiding cadres and people to accurately observe and judge the situation and unify their understanding of the situation, including some negative and corrupt phenomena in reform, according to the criteria of the productive forces. At the same time, cadres and the people should use the view of developing the productive forces to recognize the necessity and urgency of price and wage reform and strive to speed up reforms and to create conditions for gradually building a new order of socialist commodity economy.

Wherever he went in Heilongjiang, Hu Qili always asked cadres and people about their views on the party Central Committee's policy decision on deepening reforms and also asked them if they had any other opinions or demands. Many expressed their great confidence in and support for reform and opening to the outside world. While talking with Hu Qili, quite a few people frankly told him what they were dissatisfied with, such as wanton price increases, wages for manual workers being higher than those for white-collar workers, housing shortages, and bad public order. Hu Qili wrote down all their opinions in a notebook. During the inspection, he also called concerned comrades together to discuss concrete measures to reduce food prices in school mess halls and to speed up the transformation of slum areas in cities.

During the inspection, Hu Qili told people on many occasions: The difficulties and irrationalities you have mentioned indeed exist, but they cannot all be solved overnight. The party and government are working out an overall plan for reform. To solve such difficult problems it is necessary: first, to unswervingly carry out reforms and never fall back; second, to strive to develop the productive forces and raise economic results; and third, to strengthen the national spirit. Our national spirit is to "realize the four modernizations and revitalize China." And this is our spiritual strength. The Daqing workers' spirit of building an enterprise through arduous effort and their spirit of devotion in sharing difficulties with the state embody our national spirit. He said: Now we should further strengthen our national spirit with the grand goal of "realizing the four modernizations and revitalizing China" and work hard together with one heart and one mind to build enterprises and to solve difficult problems in reform.

While in Heilongjiang, Hu Qili specially made an investigation of an industrial and commercial administration office, a public security station, and a rural credit cooperative. He praised the Heilongjiang Provincial Bank of Agriculture for making applicants for agricultural loans and the uses and amounts of such loans public. He time and again exhorted cadres at various levels: In the new situation brought about by reform and opening to the outside world, our party and government organizations and cadres must be honest and upright in handling political affairs and must not let the government become corrupt because of economic prosperity. This requires a set of systems. The central authorities are formulating regulations on central organs being honest and upright in performing their duties. However, you should work out your own measures instead of waiting for the regulations being formulated by the central authorities. You should write into your regulations what can be done, not what cannot be done. If our provisions are very strict, but we implement these provisions and haphazardly oversee their implementation, the masses will lose confidence in us. The masses now have a lot of complaints against many administrative departments which deal directly with the people. At some public security stations, tax

offices, industrial and commercial administration offices, bank branches, or even some gas stations nothing can be done without giving presents. This is not the way it should be! Nothing should be done mysteriously. It is imperative to make publicly known to the masses the systems of examining and approving household registration, recruiting of workers, tax collection, license issuing, and loan granting as well as the practice of such systems in order to facilitate mass supervision. Only with mass supervision and democracy will it be possible for people to check graft and corruption and to be honest and upright in performing their official duties.

In the past few days, Hu Qili time and again advocated democratic consultation and dialogue as well as the principles of "openness, fairness, and participation." He hoped that leaders at various levels would often go among the masses and have a direct dialogue with intellectuals, workers, peasants, and college students. Such dialogue should not stick to formality or be too serious, as in an examination room. He said: Since our party and government serve the people, they should be open to them. Leaders may set dates for receiving people and have telephones installed to keep open contact with them. At the same time, grievance centers may also be run on a trial basis. Whatever methods are to be adopted, they must be capable of solving problems for the masses. Such methods must not exist in name only, much less must anyone try to "pass the buck" again. When a good job is done in democratic consultation and dialogue, the masses have a place to speak out, vent their anger, or make suggestions. This will make it possible to build a bridge of mutual understanding, trust, and support among the party, the government, and the people.

Hu Qili also made a thorough investigation of how to strengthen ideological and political work after instituting the system of full responsibility for factory directors (or managers) and the system of full responsibility for school principals.

Views Propaganda, Ideological Work
OW1407105988 Beijing XINHUA Domestic Service
in Chinese 0703 GMT 9 Jul 88

[by RENMIN RIBAO reporter Zhang Guorong and XINHUA reporter Wu Shishen]

[Text] Beijing, 9 Jul (XINHUA)—Hu Qili, member of the Standing Committee of the Political Bureau of the CPC Central Committee, said people working on the propaganda and ideological front should correctly guide public opinion in society, inspire the national spirit, and unite the people of the whole country for all to work hard and with one heart and one mind to ride out the difficult period in the reform and gradually establish a new order of socialist commodity economy. He made the statement at a forum on propaganda and ideological work held by the Propaganda Department of the CPC Central Committee.

The forum was held from 6 to 9 July at Daqing. Hu Qili delivered a speech in the 7 July session, talking about current public opinion and propaganda work, remolding and promoting ideological and political work, and other topics.

Hu Qili said: At this crucial juncture of the reform, public opinion and propaganda work should be aimed at correctly picturing and explaining the present situation, making adequate assessment of the achievements of the reform, presenting accurate and concrete analysis of the existing problems, and enabling the people to be ideologically prepared for the difficulties and contradictions expected at the crucial juncture of the reform. He held that, to gauge the situation, there must be a scientific criterion, that is, the criterion of the productive forces. The fundamental task of socialism is to develop the productive forces. If one judges a situation while ignoring this fundamental task of developing the productive forces, one can be led in the wrong direction by unimportant questions. Reform in the past 10 years has brought about a profound ideological emancipation and the liberation of productive forces in China. If we judge the situation without taking the criterion of the productive forces into consideration, we are divorcing ourselves from the most basic reality in China, acting against the wish of the people and arriving at an incorrect assessment of the situation. The activities carried out recently in some localities of Heilongjiang and Liaoning to study and discuss the criterion of the productive forces are in effect a continuation and development of the discussions on "practice being the sole criterion for verifying truth." These activities involve a renewed understanding of socialism, China's situation, commodity economy, the concept of value, ideological and political work, and other essential questions. This is of great significance in further emancipating the mind and liberating the productive forces.

He said: there must be an adequate assessment, instead of an idealistic view, of the difficult and complex nature of the reform. We are carrying out the reform and construction in a big country with a backward economy and culture and unbalanced development which has long been influenced and fettered by rigidity. This has preordained the many inevitable contradictions and difficulties that lie in the path of the reform. If we expect the reform to always be smooth sailing without ever encountering any problems, if we expect it to achieve everything, we will inevitably become perplexed and waver whenever we are faced with difficulties and problems. We should also use the viewpoint of development to understand the reform by viewing it in the process of the developing history. During the transition from the old to the new system, because the legal system is imperfect, policies are uncoordinated and the new order of socialist commodity economy has yet to be firmly established. In particular, there are many loopholes and frictions. Many very bad practices will appear in society and some intolerable corruptions will also emerge within the party and the government. We of course should not ignore this

and let such bad practices go unchecked. We should adopt firm and effective measures to prevent and stop them and strive to limit and reduce them to the minimum. However, since China is in the midst of a profound social change, it is not entirely possible to avoid some problems and even some ugly corruptions, unless we stop the reform and the open policy and return completely to the old form, the old way. But there is no way out by going backward. We must not give up the reform just because of a few problems. These problems can only be solved by deepening the reform, perfecting laws and regulations and the legal system, and establishing the new order of socialist commodity economy.

Hu Qili pointed out: Now we need to greatly arouse our national spirit. "Realizing the four modernizations and revitalizing China" is now a strong spiritual strength with which to unite and encourage people to work hard together. It will not work if we only stress material needs and personal interests in order to unite people across the country to tackle difficult problems in reform. Many cases of countries or nations show that it is extremely unfortunate when a nation pursues no ideals and has no spiritual support; consequently, such a nation will always be passive and vulnerable to attack, as well as backward and ignorant. Therefore, as reform enters a critical period, we should, with perfect assurance, raise the great banner of "realizing the four modernizations and revitalizing China" in propaganda and ideological work, unite the 1 billion people closely under this great banner, regard bringing about a bright future for the country and protecting the interests of the nation as our own duty, and work tenaciously to promote reform.

Hu Qili said: To arouse the national spirit, communists and cadres at various levels must set an example in strengthening their own spirit and working hard. Now it should be particularly stressed that the party and the government must be honest in performing their functions. Whether or not party and government organs are honest in performing their functions has a bearing on whether or not the people will support us and whether reform will succeed or fail. When party and state organs take the lead in performing their functions honestly, it will form a tremendous spiritual strength to spur the whole nation on. Fundamentally speaking, to be honest in performing official duties, it is necessary to deepen reforms and institute systems. In instituting systems, it is necessary to give expression to the principles of "fairness, openness, and participation." For example, in the employment system it is essential to advocate equal opportunity and fair competition; in the system of handling affairs, openness and a high degree of transparency should be promoted; in the supervision system, mass participation and extensive supervision by the people should be encouraged. While giving full play to the supervisory role of party organizations at various levels, we should also depend on supervision by society and the mass media as well as by supervisory, judicial, and discipline inspection departments. At the same time, it is also necessary to strengthen supervision over supervisory departments.

Hu Qili stressed: The mass media should actively promote democratic consultation and dialogue in society and build a bridge of mutual understanding and trust among the party, the government, and the people. This is one of the important tasks now on the propaganda and ideological front. He said: At present and for a fairly long time to come, democratic consultation and dialogue in society are and will be an effective measure to ensure the working out of various reform plans, to coordinate various social contradictions, and to enable all people to make concerted efforts to carry out reforms. Our party and government represent the fundamental interests of the people and serve them wholeheartedly. All our wisdom and strength originate from the masses. Never for a single moment must we cut ourselves off from the masses. We must vigorously strengthen the people's democratic supervision over the party and the government and let the masses have some places to speak out, to pour out any grievances, or to offer suggestions. All localities, departments, and organizations such as colleges, factories, and enterprises should establish a system of democratic consultation and dialogue as soon as possible. Grass-roots units may adopt different practices according to their situation and constantly seek experience in the course of practice. At present, we should particularly let the people know, through democratic dialogue, the major party and government policy decisions during the crucial period of reform so as to promote mutual understanding between the leadership and the masses and make the people conscientiously uphold and implement the central authorities' major policies. He pointed out: The democratic consultation and dialogue must be conducive to keeping normal public order and production order. Socialist democracy and freedom are essential to promoting reform and modernization. The stressing of democracy and freedom must be in the interest of stability and unity, and the publicity given to democracy and freedom must be for the purpose of achieving the four modernizations and rejuvenating China.

On transforming and strengthening the ideological and political work, Hu Qili pointed out: At present, as our country is shifting from a product economy to a socialist commodity economy, a corresponding change should be made in the ideological and political work. In ideological and political work, we have glorious traditions, as well as bad habits caused by "leftist" influence. The glorious traditions need to be restored, while the bad habits must be further changed. The transformation of the ideological and political work does not mean at all the negation of our past fine traditions and experience of success in the ideological and political work. Still less does it mean the negation of the hard work and valuable contributions rendered by the comrades doing the ideological and political work. We should actively comprehend the great significance of the transformation of ideological and political work with a view to establishing a new order of socialist commodity economy, and seriously explore new ways and set up new patterns in the course of practice. He said: A fundamental criterion for appraising the

ideological and political work of an enterprise is to see whether it can help arouse the workers' enthusiasm, develop production, and raise economic returns. The system for leading the ideological and political work in enterprises should be shifted onto a new track as soon as possible. According to the "Enterprise Law," the ideological and political work in an enterprise is also in the overall charge of the plant director. A key to transforming the ideological and political work in enterprises is to truly respect, show concern for, and cherish people and arouse the enthusiasm, creativity, and initiative of workers and staff members.

Director Wang Renzhi and Executive Deputy Director Wang Weicheng of the Central Propaganda Department presided over and addressed the meeting. The participants conducted lively discussion on how to do good media propaganda work and transform and strengthen the ideological and political work among enterprise workers to meet the need of establishing a new order of socialist commodity economy.

Theoretician Urges Strengthening Party Building
HK1407031088 Beijing LIAOWANG in Chinese
No 26, 27 Jun 88

[Article by Yi Li (0001 5867): "It Is Necessary To Strengthen Building of Inner Party Democracy and Regulations—Records of Conversations between Wu Jiang and LIAOWANG Reporters"—passages in boldface as published]

[Text] "In my opinion, the current theory on party building is still rife with platitudes. It fails to study the new situation under the circumstances that the party is in power and accordingly does not solve the problems in reality. This situation should be changed and the problem of the building of the ruling party should be given prominence on the order of the day."—Those are what Wu Jiang stressed when our conversation began.

Wu Jiang, a party theoretician, has been engaged in philosophical study for a long time, and was once a teacher in the Central Party School. In recent years he has applied himself to studying building of a proletarian political party in power, and writing theses on the subject. On the eve of the 67th anniversary of the birth of the party, he gave an interview to this reporter. Following is the gist of our talk.

Reporter: Will you please talk about the problems you touch on in your theoretical research of the building of the party in power, and your fresh views on the subject?

Wu: I can hardly be said to have done research on such a major theoretical and practical political problem, let alone fresh views. Since the second half of the 19th century, China has been known as a sheet of loose sand. Under the KMT's rule for over 20 years, China was unified in name but, in reality, was all split up. Not until the leadership of the CPC as the core did a powerful

rallying force take shape. Without this rallying center, the unification and reconstruction of our country would have been out of the question. This is a conclusion our history has drawn. At present when we are struggling for the realization of the 4 modernizations by introducing reform and the open policy, we are likewise in need of the rallying force of the whole nation, and a more powerful rallying center in particular. This becomes all the more important at present, when our reform has entered the crucial stage and faces difficulties and risks. To keep abreast of the times and to ensure the reform will press ahead, the CPC itself is also faced with the task of building and reform.

Reporter: You placed building on a par with reform and talked about setting up the new through doing away with the old. This formulation is just excellent. Would you elaborate on the reform of the party's and state's leading system?

Wu: There are two tendencies on this problem: Some people only ambiguously mention improving the leadership but evade the question of reforming the leading system. It seems that it is enough that we devote our efforts to minor problems, leaving a number of issues concerning the party's leading system untouched. Naturally this is incorrect, at least it is too reserved. Others from theoretical circles, however, advocate that a legal opposition faction and open competition should be allowed within the party. This goes too far. It cannot be permitted because it amounts to splitting up the party. Under the party Constitution, different opinions are permissible within the party; party members are entitled to take part in the discussions on party's policies in party meetings or in the newspapers and magazines run by the party, put forward proposals concerning the party's work and criticize any organ or any member of the party. As soon as a decision is made, however, party members are required to act in unison, though the individual is allowed to have reservations. As Lenin puts it, we insist on "unified action and freedom of discussion and criticism."

Reporter: In connection with economic and political structural reforms going on throughout the country, what aspects do you think should party building and reform cover?

Wu: The 13th CPC National Congress has laid down the policies and ways. In principle, there are two points: First, we must carry out the policies adopted by the 13th CPC National Congress, and not waver at all when various controversies arise. Second, party building and reform is designed to strengthen its capability of leading the country's modernization and reform, to overcome its own shortcomings and negative factors, and to ensure unity of the party and stability of the country. The current reform affects national economy and the people's life as a whole and it is no less difficult than those decisive battles we waged during China's War of Liberation. In the face of this task, if the party does not institute correct policies and party members do not act in unison, how can we lead the people of the whole country in pulling

through with one heart and one mind? Therefore, the current party building and reform should, in the first place, contribute to the party's leadership in reform as a whole.

Specifically, with regard to the building and reform of the party in office, I am of the opinion that we should simultaneously pay attention to building democracy and building regulations. Since Lenin refers to our party as "a democratic party of the advanced class," building of democracy is no doubt a question of paramount importance for party building. Democracy should be practised within the party, and measures such as democratic supervision, dialogue, and easy access to party administration by party members have been advanced and implemented to a certain extent, on which I will not dwell. I would rather dwell on the two historical changes inner party democracy should bring to pass before and after the party has come into power.

Reporter: Before and after the party takes power, there is certainly a difference in the party's position, tasks, and function, and accordingly the party's system and mechanism. What are these changes in concrete terms?

Wu: In my view, inner party democracy should go through two changes: First, it should change from clandestine democracy in time of war to open democracy in time of peace. In the past when we were engaged in cruel and intense fighting, democracy was inevitably limited to any great degree; inner party life was imbued with military tinge and even affected by the responsibility system of military leaders. Now that the party is at the helm of the state, it enjoys favorable political conditions which it never experienced in the past, and many limitations of the war time have gone with the wind. It is high time now that democracy should be expanded in a big way and the process of democratization stepped up, so as to provide for the party a powerful and vital democratic basis, and to bring the enthusiasm and initiative of party members into full play. Second, there is a difference in the scope and meaning between inner party democracy when the party was not in office and otherwise. Since the party is in power, it goes without saying that inner party democracy is the engine of national democracy. If inner party democracy is compromised, national and social democracy will in no way be guaranteed. This is what our bitter experiences have told us. Thus it can be seen that to change from inner party democracy in a comparatively narrow sense of the past to democracy within the ruling party which has an extensive social implication, is a change of great historical importance. To get this change accomplished is of great significance to party building in a new historical period and to our socialist cause. This change began long ago, but it has proceeded rather slowly. The reason is we did not attach enough importance to the problem and lacked initiative. As a result, the problem of separation of party functions from administration was not raised until recently. Merely by introducing this separation a lot of changes in inner party life and the party's style of leadership are bound to follow.

Reporter: You talked about building regulations just now. Our party has continually revised the party charter in light of realities. Can it not be regarded as building regulations?

Wu: By building inner party regulations, we mean that we should, besides the party Constitution and in line with it, work out the party's criteria for action on a number of major issues (such as implementation of democratic centralism, party disciplines, personnel system for cadres, and so on), and pass them into laws for strict observation on the part of leadership and the rank and file alike so that a normal, unified, and orderly inner party democracy and inner party political life can be ensured. I believe conditions are now ripe for us to do so. To build democracy through building regulations is a trend of developing modern democracy. Such is the case with parties as well as with states. Building inner party regulations is nothing new. In 1938, when talking about party discipline in his essay entitled "The Role of the Chinese Communist Party in the National War", Mao Zedong said: "...we must work out a set of fairly detailed party rules which will serve to unify the actions of the leading bodies at all levels." In time of war in the past, things were, after all, simple. As the party was engaged in underground work and party members were not many in number, party rules were not mapped out though the issue had been raised. The situation is different now. Inner party life and relation are more complicated than ever, we have tens of thousands of party members, and our party is an open political body and in power. Without building inner party regulations, it will be difficult to govern the party and to ensure a democratic inner party life and unified implementation of party disciplines.

Reporter: Our party has worked out "Principles Guiding Political Life Within the Party". Are they considered inner party rules?

Wu: That is a good document. Some regulations are written in more concrete terms, but in my view, the regulations have yet to be perfected and legalized. For example, some party members who are involved in framing other people are more than often not subject to investigation and punishment. Therefore we must work out a set of regulations which are laid out in articles, systematized, and endowed with legal effect. For example, we should have a special electoral law within the party; determine a set of detailed electoral rules and regulations which are in conformity with democratic principles and set rigid measures to ensure their enforcement; lay down regulations about the system of the party congresses (rules of organization and working regulations); stipulate specifically and ensure the party national congress is the party's highest organ of power, policy-making body and supervision body, and the Central Committee is only its executive organ. Undoubtedly working regulations for party committees, party discipline inspection commissions, and so on, are also very important. The erroneous measures adopted in the inner party struggles of the past to punish party members must be proscribed by formal

decree. Regulations in the party Constitution about rights and duties of party members, procedures for taking disciplinary action against party members, and the right to appeal to higher authorities and the right to defence (to defend for those who are punished), have to be provided for in detail. In view of the great harm done by the once-prevailing frame-ups in endless "movements" for many years past when China suffered from the erroneous "Left" line, it is necessary to stipulate in explicit terms in party regulations punishment for framing innocent people, with the aim of tackling those cases within the party which are not suitable or hardly constitute a crime to turn over to the court for judgment.

Reporter: Our practice has proved that it is not enough for us to only draw up some "principles" instead of building necessary inner party regulations. Once the regulations are established, however, we must vest them with authority.

Wu: To foster the authority of regulations is only a matter of time. So long as the party sets great store by them, places important ones on the agenda of the National CPC Congress, sees to it that they are discussed and passed by the congress and their implementation is inspected by the national party congresses so that they are supported in the whole party and public opinion is prepared, and the whole party is mobilized to supervise the work, the authority of party regulations is bound to take root. In bringing our country into good order, we have to draw up different laws in addition to the constitution; we should likewise add different necessary regulations to our party charter to govern the party, a big party in power in particular. At present we advocate governing the party with strictness, but this would prove to be empty talk in the absence of comparatively strict and specific regulations.

I would like to conclude our conversation with following lines—

If the ruling party is willing to exemplarily subject itself to strict regulation, regulate the relationship within the party and that between the party and non-party organizations, and effectively bring party members under control, it will not only strengthen inner party unity and the party's fighting power, but also raise the ruling party's prestige among the masses, strengthen the party's capability of leading the people in building our country and especially building democracy and regulations, so that the general mood of the Party will take a radical change for the better and the party will play a better role as a rallying center in reform.

Bo Yibo Speaks at Political Restructuring Society
OW1307141688 Beijing XINHUA Domestic Service
in Chinese 1110 GMT 12 Jul 88

[By reporter Zhou Lixian]

[Excerpts] Beijing, 12 Jul (XINHUA)—Bo Yibo, vice chairman of the Central Advisory Commission and honorary president of the Political Structural Reform

Research Society of China, said today: China's reform is now at a crucial stage. We must surmount barriers such as price reform, wage reform, and so on; gradually establish a new order for the development of socialist commodity economy; and conscientiously solve the new problems that have cropped up in economic and social life. This task is extremely arduous, difficult, and risky. The whole party and all the people in the country must unite and fight and help each other.

The Political Structural Reform Research Society of China held an inaugural meeting at the Great Hall of the People this morning. At the meeting, Bo Yibo pointed out: In order to fulfill the arduous task in carrying out reform, we must promote political structural reform, vigorously promote socialist democracy, strive to carry out democratic consultation and dialogue, help hundreds of millions of people whip up their enthusiasm and creativeness, and join our efforts in assuming risks, overcoming difficulties, and pursuing the great cause.

The Political Structural Reform Research Society of China is a nationwide mass academic organization. Its fundamental task is to study theories and policies for the reform of political structure, promote academic exchanges, and cooperation, offer consultative services to policy making departments on political structural reform, and develop various propaganda activities conducive to political structural reform and to invigorating the political life. [passage omitted]

In his speech, Bo Yibo called on the comrades of the research society to carry out the following tasks:

—Conscientiously implement the guidelines laid down by the 13th National CPC Congress, and enthusiastically study political structural reform with emphasis on building socialism with Chinese characteristics. We must persistently seek truth from facts, emancipate our thinking, earnestly explore new ideas, let a hundred schools of thought contend, strive to make even greater breakthroughs and developments in theoretical study, and offer practical and highly feasible proposals to help making policies.

—Sum up past experiences with a scientific approach in the course of conducting research work to learn from the past. [passage omitted]

—Carry out propaganda work among the masses on political structural reform. We must help the broad masses understand the party's basic line in the initial stage of socialism as well as the various principles and policies on political structural reform, correctly deal with the new situations and problems in the course of carrying out reform, and work with one heart and one mind to promote reform as the masters in charge of socialist reform. [passage omitted]

—Persistently link theory with practice, and earnestly study and help solve some pressing issues in society. In carrying out political structural reform, we must have long-term goals, while tackling issues of great immediate importance such as how can we separate party and government, reform the personnel and labor system, overcome bureaucracy and raise work efficiency in various party and government organizations. In short, we need to extensively study various issues in establishing a new order conducive to the development of socialist commodity economy.

—Strengthen unity, closely coordinate with one another, and join efforts in carrying out political structural reform. Either organizations under the research society or various activities sponsored by the society should be open. Efforts must be made to strengthen contacts and cooperation in the academic field, learn from others' strong points to offset one's weaknesses, and fill the research society with vigor.

Zhou Jie, deputy director of the general office of the CPC Central Committee and president of the Political Structural Reform Research Society of China, presided over the meeting. Advisers of the research society Gao Yang and Bao Tong delivered speeches to congratulate the society on its founding. More than 400 people of all walks of life in Beijing were also present at the meeting.

Mediators Urged To Help Reduce Crime
HK1407010088 Beijing CHINA DAILY in English
14 Jul 88 p 3

[By staff reporter Zhang Lin]

[Text] The mediating committees, an important part of China's legal system, helped solve over 6.9 million civil disputes last year.

This is 5.7 times the number that went to court.

However, the number of civil disputes last year registered a drop of 4.7 per cent over 1986.

This was disclosed at a three-day conference on mediation work currently being held by the Ministry of Justice in Beijing.

There are now over 6 million mediators working in 980,325 mediating committees nationwide.

But they should be more active at the grass-roots level to stop civil disputes becoming serious and reduce crime. State Councillor Wang Fang said at the opening of the conference.

The mediators' success at neighbourhood arbitration in urban and rural areas is estimated to have kept 70,000 civil disputes out of the courts and prevented the deaths of about 100,000 people last year.

Wang, also Minister of Public Security, said that criminal cases, especially murder and bombings, have become more frequent this year. Serious crimes resulting from civil disputes getting out of hand account for a larger percentage than before.

CHINA DAILY learned that about 55.7 per cent of cases involving murder, arson, poisoning, bombings and serious injury stemmed originally from civil disputes.

The civil cases handled by the mediators mainly include disputes over marriage, family relationships, housing, neighbourhood problems and issues such as encroachment on common land and property disputes.

Mediators have also helped ward off possible fights, murders and suicides, said Cai Cheng, the Minister of Justice.

Mediation work has prevented many civil cases from escalating into criminal cases thus helping cut the crime rate, said Wang Fang, Minister of Public Security at the conference.

The ministry's survey showed that mediation committees in 30 counties and cities successfully reconciled more than 14 million civil disputes in the last two years. It said these could have resulted in some 140,000 murders and suicides or bodily harm to more than 210,000 individuals. These figures are three times the actual crimes reported.

As an organization through which the people solve their disputes themselves, the people's mediation committees are available in neighbourhoods, living quarters, factories, villages and other grass-roots units of the country. Elected by local residents, the mediators mainly include retired government employees, workers, teachers and housewives who are educated and hold the respect of their communities.

Rather than go to the law, parties to a dispute can choose to call in experienced mediators who use the methods of persuasion and education to settle marital and family questions. They handle arguments about property and compensation for damage, and quarrels between neighbourhoods.

If the mediation fails, both parties can take the case to court for judgment.

At the opening session of the conference, 416 mediators and 65 committees were praised by the Ministry of Justice for their outstanding contribution to the mediation of civil disputes.

Commentary Views Goals of Press Reform
HK1307015088 Beijing ZHONGGUO JIZHE
in Chinese No 6, 15 Jun 88 p 1

["Monthly Commentary by Ji Bian (4764 6708): "Near-term Goals in Press Reform"]

[Text] Following the 13th CPC National Congress, chiefs of the major press units of the central authorities held three meetings in a row concerning the 1988 press reform. On the basis of thorough discussions, "Minutes on Discussions of Press Reform" have been compiled and passed by the central authorities. The document makes clear the reform's direction and guiding thought, as well as its contents and focal points. As described by some comrades, the "Minutes" are timely, precise, practical and relevant to the near-term goals of press reform. It will deepen the reform.

The "Minutes" recognize the enormous and effective work journalists have done over the years. Great results have been achieved, and some time-honored concepts and practices rather unsuitable to the openness of the reform have been either discarded or slowly changed. The "Minutes" pointed out that as an important part of the political structural reform package, press reform should proceed under a firm but cautious policy, exploring its way under the premises of benefitting stability and unity, and adhering to "one center, two basic points". In conclusion, the "Minutes" suggest four guides for improvement.

1. More openness and more substance. The "Minutes" suggest that press units should act within codes of journalism, that is they should look actively for news, and report events of construction, reforms and issues which society is most concerned with, and those that reflect aspects of social life, particularly those at the grass-roots level, and in this way play a guiding role. In addition, all this will be done under the correct political direction, in accordance with the state's laws, and observing the state's secrecy codes. In reportage, attention must be paid to summing up experiences and probing the way ahead, to avoid committing blunders. The "Minutes" also suggest that departments and units maintain the principle of openness and in order to facilitate a favorable news-reporting environment, promptly offer news-worthy information to press units.

2. Well-prepared reportage on social consultation and dialogues. Reports on such events must be well organized so that people are in a position to appreciate what important things are going on. Again, reports on the state's fundamental reform measures or "hot topics" of concern to the masses must be well-prepared and arranged in an orderly way. Dialogue means exchange of viewpoints. These need not be many, but the issues will have been put into perspective, facets of the masses'

opinions clearly reflected and doubts and puzzles convincingly answered. Better, to demonstrate their effects, there should be follow-up reports on practical results of dialogues. Reporting styles can vary, so that reading will be a pleasure.

3. Criticisms and monitoring functions of public opinion. Whether to fight against bureaucratism, correct social maladies or to display socialist democracy, and keep strong ties with the masses, an effective public opinion is needed. Two problems stand in the way of criticism. This is often being interfered with or made difficult by those criticized. Second, criticisms themselves are often improper. Both are to be corrected. Criticisms by the press should be aimed at accuracy and the educative value of an event. Criticism should be serious, responsible, and willing to shoulder even legal responsibility. The reporting should reflect not one but as many opinions as possible, and must avoid the practice of rushing into mass action on certain points. Meanwhile, administrative organs at all levels are requested to direct and support the press's criticism work, and to mobilize public opinion to have their own performance improved.

4. To upgrade the standard of propaganda so as to extend its effects. This means refinement of reporting styles: we should drop all those party cliches, avoid simplification, dogmatism, bias and so on. Newspapers and other media should work to build up their own styles. Except on fundamental issues, we would like to see variations in reporting and not endless stereotyped versions. Also, news reporting values above all timing. Lastly, coverage of various ceremonies as well as professional conferences, front-page setting, headlines, article formats and wording should all be improved.

The "Minutes" also mentioned invigoration of journalists' professional ethics and discipline and tightening up work systems within press units. It requested research work for the long-term planning of press reform.

The four suggestions listed above are the immediate goals in press reform. They are also the present requirements and planning for journalistic work. The raising of these requirements itself embodies the spirit of the 13th CPC National Congress. As we all have seen, since the Congress requested openness, dialogues and public opinion monitoring in journalism, the press in recent months has worked hard to attain these goals, and they are being attained. This is, however, only a beginning, and the results are to be worked on and, as experience grows, perfected. The problems of press reform raised in the "Excerpt" are a deepening and a specific application of the spirit of the 13th congress. The second thing is, the "Minutes" take a firm but cautious stance, which demonstrates that on the one hand, in spite of all the difficulties in press reform, if it has to be done it is to be done, and on the other hand press reform, as an integral part in the overall political structural reform, is complicated, having wide repercussions and being politically

sensitive. It cannot afford hastiness and impetuosity. In view of these conflicting demands, the "Minutes" have given many positive and pathbreaking measures and ideas as well as setting some criteria and raising questions requiring caution and attention. The "Minutes" therefore are also a specific application of a firm but cautious attitude. Thirdly, the "Minutes" demonstrate a watchfulness, that we should go step by step, kind of probing our way through. They state clearly that press reform has long-term and near-term goals. The former calls for studies and research, the latter concentrates on the practicable here-and-now, meanwhile breaking fresh ground for long-term projects. In this way, press reform will be in firm strides. The "Minutes" are, in many comrades' opinion, a valuable document and deserves thorough study and implementation.

Science, Technology Information Reform Needed
OW1307140588 Beijing XINHUA Domestic Service
in Chinese 0000 GMT 5 Jul 88

[By reporter Meng Xiangjie]

[Excerpts] Beijing, 5 Jul (XINHUA)—China's information experts say we must promptly reform the information network for science and technology, provide more information, improve our services to provide consultations, speed up the circulation and utilization of scientific and technological information, rapidly curb the tremendous wastes of the information resources, and turn the network of scientific and technological information into a basic industry in promoting the four modernization program.

They pointed out: China's information resources in science and technology are extremely abundant. Every year, some 200,000 pieces of scientific and technological documents, reference materials, theses and reports on various achievements have been turned out in China; and some 1.2 million scientific and technological reports, 100,000 publications and 1 million patents have been compiled from foreign sources.

Such abundant information resources have not been put to full use over the past few years. It is estimated that about 70 percent of the documents and reference materials have never been touched, and more than half of the scientific and technological information cannot be accurately retrieved. [passage omitted]

In this connection, the State Scientific and Technological Commission has organized experts in this field to investigate and discuss this particular issue. They have come to the following conclusion: Efforts must be made to change the existing technically backward scientific and technological information system which is placed under the administrative department to a socialized, industrialized and modernized information system and to reform the current management system. [passage omitted]

At the same time, it is essential to introduce more flexible policies on studying information and on offering consultation services. We must strive to achieve the goal for the development of scientific and technological information network to ensure that all the inquiries of the citizens be promptly and completely met.

Zou Jiahua Attends Corporate Anniversary
OW1207195388 Beijing XINHUA Domestic Service
in Chinese 1423 GMT 11 Jul 88

[By reporters Huang Fengchu, Zhao Mingliang]

[Text] Beijing, 11 Jul (XINHUA)—China National Petrochemical Corporation reports further improvement in its economic performance in the first half of 1988. Its 6-month output value totals 19.2 billion yuan, and its tax paid amounts to 8.43 billion yuan, up 7.8 and 4.5 percent, respectively, from the same period of last year, according to the statistics.

The China National Petrochemical Corporation was founded in July 1983. During the last 5 years the corporation has given a superior performance as a national economic entity. The corporation paid a total of 68.6 billion yuan of tax in the 5-year period, showing an annual increase of 10.2 percent. Over 56 billion yuan was paid directly to the national treasury and was a major source of government revenue. The amount paid to the national treasury in the 5-year period was 1.5 times the 1982 value of the fixed assets of all the enterprises that were later incorporated into the China National Petrochemical Corporation. The corporation's industrial output value has been rising at an annual rate of 8.8 percent, a fairly high growth rate in terms of world standards. It is capable of processing 100 million metric tons of crude oil and producing 1.52 million metric tons of ethylene, ranking sixth and ninth, respectively, in the world. Its capacities for producing various kinds of oil products, synthetic fiber, chemical fertilizer, and organic chemical compounds have all increased by big margins.

A ceremony was held at the Great Hall of the People today to mark the 5th anniversary of the founding of the Corporation. Bo Yibo, Yu Qiuli, Kang Shien, Peng Chong, Zhu Xuefan, Zou Jiahua, Fang Yi, and other leading comrades attended the ceremony to give their best wishes.

Conference on Resettling PLA Cadres Opens
OW1307141288 Beijing XINHUA Domestic Service
in Chinese 1152 GMT 12 Jul 88

[By RENMIN RIBAO reporter Luo Tongsong, and XINHUA reporter Gai Yumin]

[Text] Beijing, 12 Jul (XINHUA)—The National Conference on Resettlement of Demobilized Military Cadres opened in Beijing today. Speaking at the meeting, Zhao

Dongwan and Yang Baibing, respectively head and deputy head of the State Council Leading Group for Resettlement of Demobilized Military Cadres, stressed the need to continue to implement the current resettlement policies and accomplish this year's resettlement mission in light of the actual needs of the state and the Armed Forces.

Reviewing the resettlement of demobilized cadres during the reduction-in-strength reorganization of the Armed Forces, Zhao Dongwan pointed out: Since 1985 when the central authorities made the major decision of reducing the Armed Forces by 1 million people, over 452,000 demobilized military cadres have been resettled in various parts of the country. On the whole, these cadres have been "warmly accepted, properly placed, seriously trained, and rationally employed." Governments at all levels have regarded the project a political assignment and carried it out effectively under proper guidance. According to the needs in national economic construction and in restructuring the cadres' contingents, they have made every effort to assign them to proper posts, paying special attention to the needs of major departments, grass-root units, political departments, and departments that exercise supervision over the economic sectors. Those who volunteered to work in remote areas were given higher pay and better material benefits. The training of demobilized officers has been intensified. Over 350,000 demobilized military cadres have been trained in more than 70 training centers and 8,000 training classes held throughout the country. Resettlement departments at all levels have also properly helped the demobilized cadres' dependents and children solve their job and schooling problems. To ensure that demobilized cadres are properly housed after arriving in their new posts, the state and various provinces and regions have earmarked nearly 1.1 billion yuan for building housing units for them.

Turning to this year's resettlement plans, Zhao Dongwan pointed out: The resettlement of demobilized cadres not only has a close bearing on whether their roles can be brought into full play, but also on the mental stability of those who are in active service as well as on the strengthening of defense. This being the case, we must improve our leadership and continue to make the resettlement of demobilized cadres a success. We must ensure the needs of major departments and make proper arrangements for demobilized cadres. In principle, this year's resettlement will continue to be carried out according to the local needs, the demobilized cadres' proficiencies, and their previous experiences in the military. In this way we can maintain the continuity of policies. We should intensify their training so that they can adapt to the new posts as quickly as possible.

On behalf of the PLA General Political Department and all officers and men, Yang Baibing thanked all local party committees, governments, and resettlement departments for the exhaustive efforts they have made during the past several years in accepting, training, and

utilizing the skills of demobilized cadres and helping them solve their problems. He pointed out: This year, over 75,000 cadres of the Armed Forces, including the Armed Police Force, will be demobilized. The Central Military Commission attaches great importance to their demobilization, instructing that meticulous plans be made so that they can leave the military for their new posts by the end of September. All military units should pay attention to these cadres' ideological education and help them understand the need to take the interests of the whole into account, realize local authorities' problems, and not be picky about locations, units, or the type of jobs. In addition to obeying assignments and striving to adapt themselves to the new environment and new jobs, they should also correct the idea that the assignments will determine their future once and for all. Urging the military and local authorities to work in close cooperation, Yang Baibing hoped that they will finish planning the cadres' assignments soon so that they can notify the demobilized cadres at an early date and so that the cadres can report to their new units, receive training, and accept new assignments as early as possible.

Meng Liankun, Li Changan, Hao Jianxiu, Zhang Hanfu, Liu Zongli, Fan Baojun, and Liu Anyuan, members of the State Council Leading Group for Resettlement of Demobilized Cadres, as well as leading members of all provinces, autonomous regions, municipalities directly under the central government, and relevant departments under all major PLA units attended today's conference.

PLA Logistics Department Commissar Visits Tibet
HK0807020588 Lhasa Tibet Regional Service
in Mandarin 1330 GMT 7 Jul 88

[Text] On the afternoon of 7 July, Doje Cering and other leading comrades of the regional party committee and government met in Lhasa Comrade Liu Anyuan, Political Commissar of the PLA General Logistics Department, who is currently inspecting work in Tibet. Doje Cering and the other leading comrades exchanged views with Liu Anyuan on issues of common concern to the Army and people. Also present were Basang, Gyanincain Norbu, Puquin, and other responsible persons of the regional party committee, together with Tibet Military District Commander Jiang Hongquan and Political Commissar Zhang Shaosong.

Foreign Tourists To Get Domestic Flight Priority
OW1407020588 Beijing XINHUA in English
1436 GMT 13 Jul 88

[Text] Beijing, July 13 (XINHUA)—Foreign tourists should be given priority on internal flights and a unified price system for tickets on the most popular flights introduced, according to a circular issued today by the General Office of the State Council.

The circular urged localities and departments to allocate tickets in the order of importance with priorities given first to foreign tourists; Overseas Chinese and residents from Hong Kong, Macao, and Taiwan, followed by government employees on business trips, and then other Chinese passengers.

As from July 20, ticket prices on the 56 most popular routes in China will be the same for everybody. Domestic passengers, Overseas Chinese, and Hong Kong, Macao, and Taiwan compatriots will have to buy plane tickets at the same price as foreigners, according to the circular.

The circular said that illegal reselling of tickets will be severely punished and that in the high tourist season public officials will be forbidden from going on sight-seeing trips using public money. Meetings in popular tourist resorts should be kept to a minimum.

RENMIN RIBAO Views Changes in Tax Policy
HK1307151188 Beijing RENMIN RIBAO in Chinese
9 Jul 88 p 2

[Report by XINHUA reporter Ding Jianming (0002 1017 6900) and RENMIN RIBAO reporter Wang Jinhu (3769 6930 7711): "China Abolishes State-Owned Enterprise Adjustment Tax, Levies Banquet Taxes and Stamp Duties"]

[Text] It is learned from the national taxation work conference that the taxation system in our country will be further reformed according to the principles of sharing tax burdens fairly, promoting business competition, and giving expression to the industrial policies. A unified system of collecting domestic income taxes will be gradually set up. The readjustment taxes imposed on state-owned enterprises will be abolished. The scale of local tax revenue will be enlarged. This year, land use taxes, stamp duties, and banquet taxes will be successively levied.

A few years ago, through the two steps of replacing tax payment with profit delivery and the reform of the industrial and commercial tax system, our country initially built a new taxation structure. However, as the economic structural reform continued to develop in depth, the defects of the current tax system, which are not suited to economic development, began to be exposed. Under the present tax system, different taxes are imposed on different types of enterprises, and the tax rates are different. This is not favorable to the fair business competition between the enterprises. Adjustment taxes were imposed on the after-tax profits of the large state-owned enterprises at some special tax rates varying from one enterprise to another. This was just a transition method of adjusting the profits of the enterprises, and it will no longer be applicable after the contracted management responsibility system is adopted in an all-around way. Repaying loans before paying taxes is in fact another form of "eating from the same big pot"

in the field of investment, and this is not conducive to effective control over the scale of capital construction. The tax laws related to foreign investment stipulate that Chinese-foreign joint ventures and enterprises solely owned by foreign investors pay income taxes according to two sets of rules. This is not conducive to the expansion of opening up to the outside world and is not in line with the requirements of the strategy for coastal economic development.

In view of the above-mentioned problems, the state taxation bureau put forward the scheme for reforming the tax system: Several different types of enterprise income taxes will be unified into one domestic income tax; the tax rate will be lowered; the proportionate tax rate will be adopted; the adjustment taxes imposed on state-owned enterprises will be abolished; loan repayment before tax payment will be changed into loan repayment after tax payment. This will create a market environment more favorable to the equal competition between enterprises and will enable the enterprises to share tax burdens fairly. Through dividing enterprises into taxes and profits, the enterprises will be able to hold their after-tax profits. The state first levies taxes on the enterprise incomes, then the after-tax incomes are divided between the assets owner and the manager. This will thus rationalize the distribution relations between the state, the enterprise owner, and the enterprise manager. The two tax laws related to foreign investment will also be merged into a unified tax law related to foreign investment.

In order to give full play to the role of taxation in regulating the production structure and the consumption structure, value added taxes will be imposed on all industrial enterprises, and taxation will be standardized. After value added taxes are levied, product taxes can be added to some special products that need to be regulated in light of state policies and the macroeconomic situation. In the wholesale link, business taxes should be changed into value added taxes too. Invoices should show the taxes being withheld. This will solve the problem of unfair tax burdens on different commodity wholesale channels. In addition, some new tax types will be adjusted and started. This year, land use taxes, stamp duties, and banquet taxes will be levied. The imposition of inheritance tax and gift tax is also under consideration.

Problems Remain in Income Tax Collection
OW1307143488 Beijing XINHUA in English
0635 GMT 13 Jul 88

[Text] Beijing, July 13 (XINHUA)—Problems remain in the collection of individual income regulatory tax, although more and more people are paying it, the journal, "ECONOMIC INFORMATION" reported today.

The paper cited Shanghai City, in which a total of 6.63 million yuan has been collected since the beginning of last year. Also, 300,000 out of the city's total 12 million population have paid this tax, a high ratio among the major cities in the country.

But some people, including leading officials and ordinary residents, have failed to pay the tax, the paper reported. For instance, only 250 people, or 0.02 percent of people in artistic circles in the city paid individual income regulatory tax last year.

The tax evaders claim that the tax provisions are not fair. However, others claim to be ignorant of the regulations, the paper reported.

In addition, certain officials have exerted pressure to get exemptions from income tax for some people, the collectors say, according to the paper.

Nonstaple Food Price Increases Occurring
OW1307153788 Beijing XINHUA Domestic Service
in Chinese 0018 GMT 21 Jun 88

[Article by XINHUA reporters Liu Yuanda and He Xiaolin, entitled: "Look at State Affairs From Commodity Prices"]

[Excerpts] Beijing, 21 Jun (XINHUA)—Prices for four varieties of nonstaple foodstuffs have increased. In the meantime, the state gave each worker certain subsidies. Many housewives' account books show that there are not enough subsidies and that it has become harder to balance the books.

However, the state also has a hard time managing the state affairs in this connection because of low productivity.

Fundamentally speaking, the difficulty of the state is that production fails to keep pace with the increasing demands of the people. The value of goods for China's retail sales in 1987 was only a little over 610 billion yuan. Although it marked an increase of 15.1 percent as compared with that in 1986, the amount of goods in demand reached 685 billion yuan, an increase of 19.4 percent over the 1986 figure. There was a shortage of more than 74 billion yuan of commodities.

After checking the major figures, we come to understand that it is impossible to solve problems within a short period of time in a country with a population of one billion people. [passage omitted]

When we visited various localities, we often saw the following phenomenon: On one hand, the incomes of urban and rural people were comparatively low, indicating that there was not enough money. On the other hand, there was plenty of money available, and people had no place to spend their money. Commodity prices were on the increase, and consumer spending was high. At the same time, people's savings were also rising. The people's total savings in China exceeded 300 billion yuan in 1987. In addition, the cash reserve in people's pockets totalled 120 billion yuan.

Many economists regarded this phenomenon as abnormal. They believed that this phenomenon is the result of the state policy in "taking care of everything" for the workers, staff members and people in the country. It had become a heavy burden for the state. Please examine the following figures:

The state spent nearly 10 billion yuan in 1987 to provide free medical services to people.

Between 1980 and 1986, the state invested more than 100 billion yuan to build houses for workers and staff members of state-owned units, but the rent collected by the state only accounted for approximately two percent of its investments on housing. For each square meter of workers' housing, the state must subsidize over two yuan. For each kilogram of grain consumed by both urban and rural people, the state must subsidize 0.34 yuan; for each kilogram of peanut oil, the state must subsidize 1.6 yuan. The state must provide subsidies for meat, milk, eggs, vegetables, cotton cloth, coal, and soap.

The subsidies provided by the state in 1978 to solve the problem of the purchase prices exceeding the selling prices totalled 5.56 billion yuan. It rose to more than 32 billion yuan in 1984. During this 6-year period, the state revenues increased by 34 percent, but the state subsidies for commodities grew by 4.8 times. About 69.7 percent of the revenue increases were spent as state price subsidies. In 1987, the total of state price subsidies reached more than 50 billion yuan.

In addition, there are nearly 200 million college, middle, and primary school students. Each year, the state must pay an average of 200 yuan to educate a student. [passage omitted]

Many people complained about the shortage of color television sets and soaring meat prices. The excessive issue of banknotes had annoyed them even more. These problems had also puzzled the state.

Within a short period of several years, China had increased the production lines for color television sets to 113, its production lines for refrigerators to 116, and its production lines for washing machines to 108. Its needs for rolled steel, copper, and aluminum rose sharply, while the tremendous amount of investments on capital construction projects exerted great pressure on the state. China imported more than U.S.\$860,000,000 of sheet metal in 1985, while it imported 1.06 billion U.S. dollars of sheet metal in 1986. The state also spent a great deal of foreign exchange to purchase parts to maintain these production lines. For the import of refrigerator parts alone, the state spent over U.S.\$100,000,000 each year. [passage omitted]

This is an inevitable vicious circle. Excessive demands will lead to the expansion of the escalated capital construction projects. When the state cannot tolerate such pressure, it will have to issue more banknotes. Between

1978 and 1986, the cash in circulation was increased by 18.6 percent in average each year. In nearly every year, money was issued beyond the state plan. [passage omitted]

In short, to develop commodity economy in the initial stage of socialism, we must reform the price system, the wage system, and the labor and personnel system. There is no way that we can possibly avoid the issues in this connection. We should reform them as soon as possible instead of reforming them at a later date, because if the current trend is allowed to continue, bad practice will persist even more, and we will have to pay an even heavier price.

Therefore, the people in the whole country from the top level to the bottom level must understand the difficulties in carrying out reform as well as the state's difficulties, and join their efforts to break through the "Lazikou" pass in the new Long March. Our victory in reform is just around the corner.

Newspaper on Relationship of Reform, Development
HK1407012688 Beijing RENMIN RIBAO
in Chinese 4 Jul 88 p 5

[Article by Liao Jili (1675 1323 4539): "Talk on the Relations Among Economic Stability, Reform, and Development"]

[Text] Economic stability, reform, and development are to supplement each other. If the relations among the three are handled well, it will greatly benefit the promotion of the benign circle of the economy. When the economy is stabilized, reform can be smoothly carried out; when reform is smoothly carried out, the economy can develop relatively quickly; when the economy develops quickly, stability can be guaranteed. The relations among these three, reform always determines the overall situation. The deepening of reform can both guarantee economic stability and promote economic development. It must run risks in carrying out reform. When circumstances are favorable, we must not bungle the opportunity; when circumstances are unfavorable, we must choose and follow what is good with the promotion of economic stability and development as the principle. We shall be ever-victorious if we adhere to the principle of carrying out reform in the course of stability and striving for development in the course of reform. The maintenance of the coordinated relations among stability, reform, and development is, therefore, not a negative, passive, and conservative principle but an active, initiative, and wise principle.

Here, I shall talk about what I think about the relations among stability, reform, and development.

The Integration of an Increase in Supply and Proper Restriction of Demand [subhead]

How to maintain economic stability is a problem which needs careful study. The crucial problem is to maintain a basic balance of the aggregate social supply and aggregate demand.

Some people of economic theory circles hold that the socialist economy is the economy which is characterized by shortage. This view warrants study. The economy characterized by shortage is not an inevitable phenomenon of the socialist system but is engendered by the ossified economic structure. After approximately 10 years' reform of the economic structure, our country has begun passing from a sufficient clothing and food type to a comparatively well-off type. At present, all proportionate relationships of the national economy have remarkably improved, the economy has prospered, and the people's livelihood has been greatly enhanced. However, some problems have also existed. For example, the scale of investment is excessively large, the consumption funds of society has increased too much, excessively rapid increase of prices have been caused, and so on. This has been mainly due to the shortcomings of the old structure, the insufficient perfection of the new structure, and other factors, which result in the problem of the balance of the aggregate social supply and aggregate demand not being solved relatively well.

How can a balance of the aggregate supply and aggregate demand be ensured, particularly how can an increase in supply and the proper restriction of demand be effectively integrated? There are three choices here: 1) The gap between the growth of production and an increase in distribution in national income is suitably widened so that the increase in distribution is lower than the growth of production and the increase of economic results is put in an important position, namely, the balancing method of quickly raising economic results. For example, if it is predicted that production will grow by about 10 percent next year, distribution, including planning, finance, investment, credit, materials, and wages, should be arranged according to a growth of 6 percent. In this way, production will advance and a margin is left for distribution so that there is a relatively ample supply of capital and materials and a basic balance of the aggregate supply and aggregate demand can be ensured. 2) The balancing method of taking from the long to add to the short is adopted. For instance, the rate of accumulation is kept under 30 percent of national income, the growth of the investment scale under the growth of the means of production, and an increase in wages under the growth of labor productivity. This is the so-called method of the necessity of keeping spending within the limits of income. 3) While Premier Zhou was alive, he put forward the proposition of balancing planned and practical growth. While making arrangements for a plan, we can make arrangements for an increase by comparing the plan for the next year with the plan for the preceding year so that the above-quota portion fulfilled in the preceding year is not included in that year's planned distribution and is regulated by the market, to solve the

problem of shortage and excessive distribution in making arrangements for a plan. This is the so-called method of "comparing a plan with a plan and comparing reality with reality." Practice proves that in doing so, we can effectively restrict demand, increase supply, and change the situation in the imbalance of the aggregate demand and aggregate supply. To put it briefly, they are:

1. On the basis of raising economic results, it is necessary to guarantee that the national economy increases relatively quickly every year.
2. It is essential to ensure a balance of financial revenue and expenditure but not to make a deficit budget. In the event of a deficit, a certain amount of national debt is to be issued to resolve the difficulty but banks are not compelled to increase monetary issue.
3. It is imperative to make every effort to ensure a balance in the total amount of credit funds and monetary issue cannot exceed the need of production, circulation, and development.
4. A balance of foreign exchange receipt and disbursement must be maintained and the reserve must suitably increase.

According to the above-mentioned demands, arrangements are to be made for investment in fixed assets, for circulating funds, for the wages of the staff members and workers, for the people's livelihood, and for social welfare, culture, and education and these can all be guaranteed. Even if the supply of some commodities does not meet the demand and the prices of some commodities are high or low, the level of prices can, on the whole, be basically stable.

This is the valuable experience which we have acquired in the economic construction of our country. The question is that in the past, we were often forced to apply, and unconsciously applied, these economic methods. Reform of the economic structure and economic development of our country have now entered a new stage. So long as we are good at summing up experience, integrate the new situation emerging in the course of reform, and correctly apply the economic policies and economic measures, we can hopefully pass through this difficult ordeal of prices and wages reform.

Invigorating Enterprises, Giving Play to the Role of the Market Mechanism [subhead]

As reform of the economic structure has now touched the macroeconomic part of the old structure, the difficulties of reform are aggravated. At the same time, due to the fact that these two structures are at a stalemate, they will often clash violently, thus aggravating the difficulties of reform. In light of the current situation, only by stabilizing the economy and deepening reform can we smoothly pass through this ordeal. Of course, the unstable factors in economic development can be gradually resolved only

through the deepening of reform and both of them serve as a condition for each other and supplement each other. Handling the relations between them well is beneficial not only to further invigorating the enterprises and developing the market but also to the changeover from the new to old structures. Specifically speaking, the advantages are as follows:

—It is advantageous to the readjustment of the relations among all powers, responsibilities, and interests. For example, the contradictions between the center and localities, between the state and enterprises, between the collectives and individuals, between planning and the market, and between the coasts and interior are interlocked. Under the circumstances of economic shortage, a slight move in one part may affect the situation as a whole. There are too many contradictions to be straightened out. However, if they are not straightened out, it is disadvantageous to the development of the productive forces. It is, therefore, necessary to create a roughly balanced environment of aggregate demand and aggregate supply through reform and to create conditions for readjusting and straightening out all economic relations. So long as we implement this dynamic policy of reform, we can straighten out all economic relations relatively well.

—It is beneficial to the shift from the system with direct macroeconomic management as the main item to the system with indirect macroeconomic management as the main item. The so-called system with indirect management as the main item is that it is necessary to reduce the scope of administrative management and mandatory planning and to apply more economic and legal measures, such as financial, tax, and monetary measures to indirectly direct the operation of the enterprises through the market. At present, in the course of deepening reform, whether transition to the system with indirect management as the main item is smooth has a very important bearing on whether supply and demand balance. If funds and materials run seriously short, administrative measures must be taken to intervene in the normal activities of the enterprises, resulting in the extension of the time of "shift" to indirect management.

—It is advantageous to give play to the role of the market mechanism. The market mechanism must be utilized to develop the socialist commodity economy. The key to the market problem is prices. The prices are now still very irrational and the "dual system" that's been adopted is merely a transitional method. Why can't the prices be stabilized and the control over prices be relaxed? Basically speaking, the difference between aggregate supply and aggregate demand is relatively big. If the control over prices is relaxed under such circumstances, we shall surely be under the heavy pressure of big price increases and unstable economic life will result. Conversely, so long as aggregate supply and aggregate demand basically balance, the state and enterprises can endure price fluctuations. Easing down the shock of price reform is beneficial to the readjustment of industry

mix and product mix. If the control over prices is relaxed, in the long run, it will not cause the general level of the prices to increase by a wide margin but will be advantageous to an increase in production and supply. This has been proven by experience.

—It is beneficial to further invigorating the enterprises. Invigorating the enterprises is a focal point of reform. If the enterprises are not invigorated, the economy will lack vitality. Without a stable economic environment, deepening the contracted management responsibility system, introducing the competitive mechanism, stepping up enterprise management, promoting technological progress, developing lateral ties, and so on will be affected and encounter difficulties.

—It is advantageous to opening to the outside world. Opening to the outside world is a strategic policy decision of our country. Whether the policy of opening up can be smoothly implemented is determined on the one hand by whether the political environment is stable and on the other hand by whether the economic environment is stable. Foreign investors are now worried about the former. For instance, whether prices are rational, whether the parts of the infrastructure are complete, the quality of personnel, management efficiency, and so on are closely related to economic stability and the deepening of reform.

Striving for Good Economic Results in the Course of Deepening Reform [subhead]

Some people are worried about whether stabilizing the economy and deepening reform will affect the speed of development. This worry is unnecessary. At present, the economic development of our country is still at the stage of extensive management. Generally speaking, economic development is relatively quick. However, if the speed is too high, it will affect the quality and economic results of the products and increase their costs, thus causing an imbalance of aggregate supply and aggregate demand. We must, therefore, by no means blindly strive for impractical high speed. Compared with the speed, economic results are still the most important. Good economic results are necessary for achieving a benign circle of the national economy. Economic results, regardless of macroeconomic results or microeconomic results, can be achieved only in the course of stabilizing the economy and deepening reform. It is very hard to imagine that there can be good macroeconomic results in the economic environment of a big increase and fall. As far as microeconomic results are concerned, with economic stability, when production in the enterprises is smooth, the circulation links are unimpeded, and the consumers have more choices, the commodities whose quality is inferior and prices high and which are not needed by the consumers are unmarketable. This forces the enterprises to organize production according to social needs and microeconomic results can be markedly enhanced.

History since the founding of our country proves that the period of smooth economic development is the period of economic stability. For example, in the "Sixth 5-Year Plan" period, our country's economy basically developed continuously and steadily and the past situation of a big rise and fall was overcome. The question was that the phenomenon of "overheating," which emerged in the 4th quarter of 1984, was not really resolved and produced a certain effect in later years. In the "Sixth 5-Year Plan" period, the gross industrial and agricultural output value and gross social output value of our country increased by an average of 11 percent each year and the national income by an average of 9.7 percent each year. Our country fulfilled its 5-year plan 1 year ahead of schedule.

In one word, we must finally rely on the deepening of reform to stabilize and increase our economy, to score better economic results, and to increase speed. We must, therefore, use reform to guide the overall situation and integrate the three of them well. In doing so, we will surely create a new outlook of our socialist construction.

Article Views Effects of Inflation on Reform

HK1407040088 Beijing RENMIN RIBAO in Chinese
4 Jul 88, p 5

[Article By Wu Renhong (0702 0088 3163): "A Brief Discussion on the Effect of Inflation on Economic Growth and Reform"]

[Text] Since 1985, our country has been experiencing a sizable inflation. What effect has such an inflation had on the economic growth and the reform of the economic structure of our country? The people in the economic circle of our country have widely divergent views on this question. Some people believe that since a lot of changes have taken place in our country's economic structure and economic setup, inflation is inevitable at the present stage. The ultimate goal of our country at the present stage is to realize a relatively high economic growth rate. And inflation is conducive to our country's economic growth to a certain extent. We think that although inflation is inevitable for our country, if we do not take measures to control the ever-growing inflation rate but try to use inflation to stimulate the economic growth, inflation will eventually impede the steady and sustained economic growth of our country and hamper the smooth progress of our country's reform. Inflation And Economic Growth [subhead]

Our theoretical analyses and our investigations on the situation of some foreign countries show that inflation is usually harmful to the economic growth. Moreover, there is no natural relationship between inflation and a rapid economic growth.

According to the early Keynesianism, the implementation of a mild inflation through the increase of financial expenditure and currency supply can stimulate economic growth and increase employment. A mild inflation can increase effective demand and currency supply and can lower the interest rate. Moreover, the rise of nominal wages is always preceded by inflation and is generally lower than the inflation rate. As a result, the actual incomes of the people will go down and the marginal income rate of capital will go up. Thus there will be more investment which will in turn promote economic growth.

However, after experiencing the "economic stagnation and inflation" of the 1970's and the early 1980's, the governments of the majority of Western countries have made control of inflation their major policy goal. Western economists have unanimously agreed that inflation is not conducive to economic growth and the creation of more jobs. On the contrary, inflation is harmful to economic growth and the creation of more jobs for several reasons. First, sustained price hikes will force people to increase consumption and reduce savings, because people will try to reduce the losses caused by the price hikes, and this will inevitably reduce investment and impede economic growth. Second, inflation will result in improper disposal of resources and poor economic results. For example, the investors will buy real estate for fear of the increase of production cost and the increase of risk in production. When the government strengthens control over the prices of some products, the price structure and profit rate will certainly be distorted. As a result, the rational utilization of resources will be affected and there will in turn be a short supply of resources. Third, if a country's inflation rate is often, or for a long time, higher than the average international inflation rate, then the country will suffer an international payments crisis and suffer from the outflow of its gold and foreign exchange reserves. Besides, a high inflation rate could cause strong resentment among the people, trigger social and political disorders, and harm the economic growth of a country.

The economic statistics of some countries show that it is almost impossible to prove that there is a natural relationship between a rapid economic growth and inflation.

It is true that while enjoying a rapid economic growth, Japan and Brazil also experienced different degrees of inflation. However, the situation of West Germany is just the opposite. Between 1951 and 1960, West Germany experienced a rapid economic growth with its total domestic output value growing at an average rate of 11.06 percent and its inflation rate remaining very low, at an average annual rate of 2.55 percent. Between 1960 and 1970, Singapore's total domestic output value stood at an average annual growth rate of 8.8 percent while its inflation rate stood at an average annual rate of 1.1 percent. Some foreign scholars have conducted a cause and effect test among some 56 countries (including the developed and developing countries) to examine

whether there is a natural relationship between inflation and economic growth. The result of the test shows that inflation usually results in a relatively slow real economic growth. The view that inflation will certainly result in a more rapid economic growth has not proved correct in the developing countries, either.

We must understand that some scholars claim there are several reasons that Japan's economic growth was not impeded by its high inflation rate and was even promoted by its high inflation rate. First, during that period, the increase rate of Japan's individual incomes was much lower than its economic growth rate and investment growth rate. Between 1955 and 1960, the average annual increase rate of the wages of the workers in Japan's manufacturing industry stood at 7.6 percent while the average annual increase rate of Japan's national income stood at 10.7 percent and the average annual increase rate of Japan's investment in fixed assets stood at 29.5 percent. Under such circumstances, an annual inflation rate of only 3.3 percent, which existed during the same period, might be conducive to the formation of capital and to increasing the demand for more investment in production. Second, along with the modernization of Japan's production structure, Japan's economic results, particularly the scale economic results, greatly increased. Many Japanese manufacturing industries, such as the iron and steel industry, the chemical industry, and so on, also lowered their mass production cost to a great extent. At the same time, Japan gradually began to use imported petroleum to replace the expensive domestic coal as its main fuel, in order to greatly reduce the production cost. These two reasons combined to prevent Japan from suffering a spiral inflation usually characterized by the constant increase in wages, production cost, and commodity prices. Moreover, because of the rapid growth of investment and the good economic results, the commodity supply was greatly increased and inflation was eased up. We should understand that our country's present situation is different from that of Japan in the period between 1955 and 1960.

From Japan's situation and from our theoretical analyses and our investigations of some foreign countries, we have come to understand that a mild inflation will be conducive to our country maintaining a relatively rapid economic growth rate at present is not correct. We must know that a sustained inflation could bring about disorder in our country's economy and might throw our country into inflation. Therefore, quite different from the situation of Japan at that time, our country's present inflation might develop into a sustained and intensified inflation for several reasons. First, our country's present inflation is one that is accompanied by high input, low output, and poor economic results. Second, over the past few years, the consumption of various social groups and individuals has increased very rapidly. In 1987, the increase of consumption was faster than the increase of investment (with price hikes factored in, the total turnover of social commodities increased by 9.6 percent while the investment in fixed assets increased by 6.5

percent). And because our country's enterprises still lack self-control mechanisms, it is hardly possible to reverse such a momentum at present. Third, our country's present inflation has been accompanied by a financial deficit for years running (which has been compensated with the overdraft of the central bank) and a deficit in import-export trade. Fourth, our country's present inflation is accompanied by ever-growing foreign and domestic debts. So, if we do not adopt strict measures to deal with the situation, these negative factors will possibly turn our country's present inflation into a galloping inflation. Inflation And The Reform Of Economic Structure [subhead]

Sustained inflation will not only hamper the steady development of our country's economy but also throw the reform of the economic structure into dire straits.

First, inflation will inevitably cause psychological resentment among the people. Such psychological resentment cannot be completely offset by the issuance of certain price subsidies.

Second, inflation will actually result in a redistribution of incomes. Because the interests of some social strata will be harmed by inflation, some social contradictions will be stimulated and intensified. The intensification of these social contradictions will in turn form a social and political environment unfavorable to the deepening of reform.

Third, under various social and political pressures, the government will inevitably strengthen its control over the prices of some commodities, restrict the fluctuation of commodity prices to a certain extent, and issue various types of price subsidies. This might hamper further reform and our implementation of supply-and-demand prices.

Fourth, a higher inflation rate will increase the risk in furthering price reform. If we greatly push forward with price reform, the overall price level will certainly go up to a great extent. One of the important goals of price reform is to readjust the prices of energy, raw materials, and so on—which are irrational and too low at present—and reduce the scope of the two-level prices. When the prices of energy and raw materials go up, the prices of all the final products will also go up, so that the overall price level will be raised. However, the reform of the economic structure will eventually overcome this difficulty. If the reform of the economic structure could not overcome this difficulty, we would be unable to deepen our reform in other aspects, readjust our industrial structure, and increase our economic results. However, if we implement the reform measures on the basis of a higher inflation rate, we will certainly run a much bigger risk.

We should learn a lesson from the experiences of some East European countries. Their experiences have proved that a sustained high inflation rate can cause serious harm to reform. On the one hand, inflation will often

cause social disorder; on the other hand, the continued increase of prices and wages in waves will reduce investment, slow down the economic growth, and even throw the national economy into dire straits. Therefore, inflation is harmful to the furthering of the reform.

All in all, under the present circumstances, our country should not try to stimulate the economic growth by implementing inflation (even a mild inflation). However, it is neither realistic nor conformable to the historical trend of reform to draw our country back to the prereform period characterized by the lack of commodities and "stabilized prices." So, we should now adopt measures concerning both supply and demand, to properly control inflation and at least prevent the inflation from continuously rising (on the condition that no major price reform measures are implemented). To this end, we should mainly adopt the following measures: Since our country has not yet had the conditions to enter the period of high-speed economic development, our country should not pursue an excessively high speed of economic growth. Our country should strictly control its financial expenditure, properly control the issuance of currency, and secure an industrial growth rate of between 7 percent and 10 percent. Our country should not implement a nationwide austerity measure but should continue to provide loans to some selected projects. Our country must be determined to readjust its capital reserve so as to increase effective supply by issuing an equal amount of currency. Our country should compensate its financial deficit by issuing more national bonds and stop the practice of compensating financial deficit with the overdraft of the central bank. At the same time, our country should reduce administrative control over prices because excessive administrative control over prices will cause short supply of commodities, intensify the hidden inflation, and harm the effective disposal of resources and the deepening of reform.

Article Promotes Price Reform, Opposes Inflation
HK1407012788 Shanghai SHIJIE JINGJI
DAOBABO in Chinese 27 Jun 88 p 15

[Article by Wang Zhuo (3769 3820): "Find a Radical Cure for Inflation, Promote Price Reform—edited by Lu Mingli (7120 2494 7787)—first paragraph is SHIJIE JINGJI DAOBABO introduction]

[Text] During the past several years, we have failed to treat reform of the macroeconomic system as "the halter by which an ox is to be led." Therefore, we have not succeeded in turning the mechanism of the government inducing increased demand, into a mechanism of the government exercising self-restraint over demand. A primary prerequisite for price liberalization is control of inflation. The first step is to withdraw surplus money from circulation; the second to reduce investment demand; the third to tighten credit.

Urban reform, undergoing a system and mechanism change, has to overcome at least five problems: a) In creating an enterprise mechanism, we cannot sidestep the problem of smoothing out property relations involving state-owned enterprises; b) In creating a market mechanism for regulating the deployment of resources, we cannot bypass the problem of price liberalization; c) In liberalizing prices, we cannot avoid the problem of controlling inflation; d) In controlling inflation, we cannot run away from the problem of creating a mechanism for overall supply which induces a balance; e) In creating a mechanism for overall supply which induces a balance, we cannot avoid the main problem of reforming the macroeconomic system. Of course, there are other problems.

The delay in reform may be traced to development and reform "competing with each other;" excessive economic growth leaves too little room for reform. The underlying problem is a mechanism in government investments that serves to induce increased demand. In several years of reform we have failed to treat reform of the macroeconomic system as "a halter to lead an ox." We have not succeeded in turning the mechanism of the government inducing increased demand into one exercising self-restraint over demand. In my opinion, given a balance in overall supply peace reigns; given an imbalance in overall supply turmoil follows. Everyone in the street is talking about the rise in prices; this is a sign of trouble. In my opinion, only by getting hold of such "an ox halter" as macroeconomic reform can the problem of establishing a market and an enterprise mechanism be easily solved.

Price reform is the most difficult problem to overcome reform, with its following ramifications:

First is price "compensation." The liberalization of prices, or readjustment preceding liberalization requires low commodity prices to be marked up. Some people say: there is no need to make compensation when readjusting prices upward; as far as consumers are concerned there is no increase in spending. Extra income received by the producing enterprises from price increases should be recovered by raising taxes. A change in regional interests should be offset by a readjustment of budget receipts and payments. Such an approach is called the joint operation of prices, taxes, and money. It is not called price reform because it does not constitute a new price regulating mechanism and cannot regulate the rational deployment of resources.

A price rise ends up as a rise in the price of the ultimate product; in a depreciation in the value of wages; with a drop in workers' living standards. There must be compensation to redress a reduction in income caused by a price increase. Otherwise, it is a case of the government taking money from the "pockets" of consumers. This is called price compensation, it is a financial problem in reform, ultimately finding expression in wage reform.

Second is "inflation." Given an accumulated price inflation, an undue increase in paper currency will result. In liberalizing prices, we cannot sidestep the problem of currency inflation. If prices are liberalized during inflation, there will be excessive side-effects leading to psychological reaction and it will accelerate inflation. This policy cannot be adopted.

Third is a balance in overall supply. To overcome the problem of inflation, we can take stopgap measures, emergency tightening or readjustment measures, using administrative means to reduce demand. This is called "a control of the environment." If proper control is exercised we can obtain results. But if after a period of time there is renewed inflation, we are forced to turn the liberalization of prices into a freeze. The cost is not small, with another retreat in reform.

Price reform calls for compensation because the low price of certain commodities is a manifestation of the state not giving enough compensation to peasants and enterprises. The act of liberalizing prices in itself solves the problem of the state not giving enough compensation. We cannot let consumers absorb a shortfall in compensation, therefore, price reform must be effected in stages. Other reforms, costing money should not be introduced at the same time.

In making price compensation, the old way was to let "the bodhisattva carry all the arhats piggyback." The state not being strong financially cannot afford to carry "so many arhats" piggyback. The new way should be to let "all the arhats carry the bodhisattva piggyback." As to all arhats that need help, "the bodhisattva" should render support and carry them piggyback a few steps of the way. In line with the combination of "the bodhisattva carrying all the arhats piggyback" and "all the arhats carrying the bodhisattva piggyback," two measures should be taken in regard to price reform.

One is to combine the promotion of reform nationwide at the same pace as promoting reform on a regional basis. As to price reform involving large commodities with a bearing on the whole country, we should adopt the way of reform that calls for nationwide promotion. Concerning regional commodity price reform, we should adopt regional promotion.

Another measure is to combine national overall arrangements for compensation with regional arrangements, central and local areas share price reform compensation. Localities must make price reform compensation in many ways at various levels. With compensation shared and digested on a diffuse basis, a big problem can turn into a small one, with effort the problem can be solved.

A primary prerequisite for price liberalization is control of inflation. The first step is to withdraw surplus money from circulation. The second, to reduce investment

demand. In reducing investment demand we must differentiate between cases and cannot "apply the same standard" in all. The third, is to tighten credit.

In liberalizing prices, there are two risks.

One is to fan inflation through liberalization of prices, and cause long-term inflation. So long as we make prudent policy decisions, first controlling inflation and then gradually liberalizing prices, it can be avoided. If not, this risk is likely to happen.

Another risk is to borrow developed Western countries' tightening measures to reduce credit in their entirety and turn growth-related inflation into stagnation-related inflation. After the tightening of money supply in our country in 1985 such a dangerous situation appeared in 1986. The reason was that the wrong slogan, "cutting off the flow" was put forward in the tightening of money supply. What flow was to be cut off? No control was exercised over investment in fixed assets, while the flow of operating funds was cut off. As production enterprises sold commodities the proceeds were arbitrarily withheld by the bank to cover loan payments. When the enterprises applied for loans again to buy raw materials, the bank used "cutting off the flow" as an excuse to turn them down. This gave rise to "a chain of debts incurred between enterprises, with forced delay in payment". This was a negative consequence arising from the bank's tightening guideline of reducing production and guaranteeing investment.

To avoid turning growth-related inflation into stagnation-related inflation, we must refrain from stressing one-sided tightening of credit. Nor should we one-sidedly stress control of the issuance of currency notes. Instead we should continue introducing our own good experience—drawing money from circulation, reducing investment, and guaranteeing production. This means reducing demand and increasing supply at the same time. We cannot "apply the same standard" in all cases, with one single club expected to hit a wide area.

So far, no socialist country has created a mechanism for overall supply which induces a balance.

Why has the repeated, strange phenomena of economic instability appeared in countries with a planned economy? The basic cause is that the problem of macroeconomic system reform has not been solved. No mechanism for exercising self-restraint over demand has been used to take the place of the mechanism for self-induced increase in demand. In creating a mechanism for overall supply which induces a balance, we must take several measures in the reform of the macroeconomic system:

The first reform is to create a mechanism for overall supply which induces a balance at the central level.

We must smooth out relations among the planning committee, the financial organ, and the bank, and establish a new system of checks and balances. The planning committee must go further and hold itself chiefly responsible for formulating an economic development strategy and an industrial development plan. Regarding investment items, the planning committee digs out the hole but does not plant the tree. The financial department follows the principle of planting as many trees as there are saplings, and not holes. The budget may show a deficit which can only be made up with national debts and not with central bank overdrafts. Based on the overall supply of money, as made up of their own capital, savings deposits and paper notes issued for economic reasons [as published], the bank first satisfies its own operating fund needs. With money to spare, it will grant loans for investment in fixed assets. This is also a case of planting as many trees as there are saplings.

Various central departments must introduce the system of contracting for input and output where railway and petroleum-related departments are concerned.

The second reform is to create mechanisms for overall supply which induces a balance at various regional levels.

The central and regional authorities must separate powers to take care of matters and money. In future, the central financial organ only concerns itself with fundamental facilities that cut across provinces (regions) and cities; with strategic investments in new industries; and matters of financial support in areas in difficulty. Investments in regional fundamental facilities are left to the care of relevant localities.

The focus of what localities themselves undertake to balance on a contract basis calls for checking credit inflation. This is to avoid increasing the size of an investment in fixed assets by going beyond the limits of sources of loans. The duration of a contract is linked to a 5-year plan, with a readjustment once every 5 years.

Some comrades worry that the introduction of the contract system in which localities hold themselves responsible for maintaining a balance and local governments representing interests, would lead to the disruption of a unified market, with things being divided up and monopolized. To maintain a unified market we must rely on rule by law. A federal country can form a unified market. Different countries can also form a common market with the separation of administrative powers at local levels. Why must there be a disruption of a unified market?

Article on Unfair Income Distribution
HK1407044088 Beijing GUANGMING RIBAO
in Chinese 2 Jul 88 p 3

[Article by Zhang Xianyang (1728 7359 2254): "Several Views on the Issue of Unfair Distribution of Social Incomes"]

[Text] The root for the occurrence of an unfair phenomenon of social distribution is the failure to correctly

implement the principle of distribution according to work. In other words: 1) We have not implemented the principle that different laborers earn different remuneration from the society in accordance with the socially necessary amount of their labor; 2) Wage relations between different kinds of laborers in different strata of society are irrational, namely, the value assessment of their labor achievements is irrational; and 3) The tax system is imperfect. The first issue is mostly connected with the imperfect market mechanisms in addition to the problem of asset relationship under the old system. The second issue is mostly connected with the relevant policies of the state in addition to some objective realities, which are difficult to straighten out, under the complicated social economic relationship. The third issue is connected with the fact that our economic legislation cannot be carried out normally.

The Problem of Unfair Distribution Between Different Enterprises and Trades [subhead]

Unfair distribution between different enterprises and trades means that different production departments or units gain different earnings although the amount of their labor is the same. How can this happen? It happens because of the two following reasons: 1) good or poor enterprise management; and 2) different organic components of enterprises, and their different external environments. In the state-operated investment system, the greater or smaller organic components do not reflect incomes from assets in a legal form. Therefore, even if trades' and businesses' achievements are the same, the value, which can be distributed, might not be the same because the labor productivity of different enterprises, or trades is different. This is also the case with the income of different workers and staff members. The amount of labor of workers and staff members of the same quality and the same technical level, who are working in different enterprises, might be the same. But their incomes might be different because labor productivity of their enterprises are not the same.

After making an analysis of the present-day popular social psychological factors, we find out that people can, generally speaking, more easily accept the idea on different incomes because of the different conditions of private ownership (this can be interpreted as value or assets). However, if the differences are caused by the state policy, or the allotment of means of production, people will be disgusted with it. These differences are the main psychological reason why enterprise workers and staff members make comparison between each other. Only by turning the organic compositions and other beneficial external conditions not created by enterprises themselves into the state asset earnings through the form of differential incomes, and turning them over to the state finance can enterprises truly compete on an equal basis. Only thus can we completely eliminate workers' idea on making comparison with each other.

Another important reason contributing to workers' comparison with each other is the wage relationship between trades and services being unreasonable. This is mainly because of certain improper state administrative policies. Let us look at the following typical example. Comparatively speaking, the incomes of workers working in tourist hotels and taxi drivers are higher than the incomes of workers and staff members of enterprises directly engaged in production, and the incomes of workers and cadres in state organs. If we excessively increase the wages of workers in certain trades without considering price parity of labor, this might temporarily arouse or stimulate the enthusiasm of workers and staff members in the trades. But the enthusiasm of the majority of workers and staff members for their work and labor might be dampened because of this. In the meantime, this might also cause undesirable political consequences.

The main problem of unfair distribution of income between different enterprises and trades can be gradually solved in the course of continuing to deepen reform in enterprises, to improve operational mechanism of enterprises, to straighten out various relations, and to establish and develop effective mechanisms which restrict benefits, with the exception of certain relevant issues which should be solved through the readjustment of policies.

The Problem of Difference in Incomes Between Physical Laborers and White-Collar Workers [subhead]

Relations between physical laborers and white-collar workers are actually relations between simple and complicated labor. According to Marxist theory on distribution, the problem of their remuneration can be definitely solved. We are familiar with the following equation: a complex labor is equal to a multiple of simple labor. The calculation can be made by simply making comparisons after getting the amount of labor of the same quality. However, the problem has not been clearly explained, and is getting increasingly complicated. There are three reasons contributing to this: 1) Some of our comrades have lacked the concept of economic value, including the concept of value of labor force, and are unable to make a distinction between labor and the achievements of labor; 2) In the past, we have long been influenced by the "leftist" ideological trends, and linked labor remuneration with political thinking and stand, and world outlook; and 3) Our understanding of manual laborers and white-collar workers is not correct, and absolutely separate the specific labor qualities of manual laborers from those of white-collar workers. To discuss wage relationships between manual laborers and white-collar workers on such an epistemological basis it is impossible to clarify the problems concerned.

While determining class status, it is more appropriate to call white-collar workers in general intellectuals. However, if we regard this abstract concept as a basis for specific distribution, and apply it to the relationship of

income distribution to analyze and study the issue of the distribution of social incomes, a great deal of trouble will be caused. For example, a certain worker is doing well in a certain production post for many years, showing his consummate skills and obtaining great labor achievements. However, after studying in one of the "five amateur universities and colleges" which is unrelated with his work and skills, he demands that policy for "intellectuals" be implemented for him. He is eventually transferred to work in certain overstuffed administrative department or section. Due to the fact that he no longer works in production unit, he can no longer make any contribution, and his wage is not as high as previously. As a result, he clamors for what other people say: The salary for intellectuals is too low, and their remuneration and conditions are poor, and so on. Although this kind of logical analysis is not necessarily correct, it explains one problem: If the distribution of wages is not carried out in accordance with labor achievements, great chaos might be caused.

Another problem is the dialectical relations between labor and capability. Generally speaking, intellectuals have acquired certain specialized knowledge. It is appropriate to say that the majority of them have stronger working ability. This has enabled them to make greater labor achievements. However, capability and labor are two different things. It is impossible to replace the amount of labor with capability. In other words, potential labor [qian zai lao dong xing tai 3383 0961 0525 0520 1748 1966] cannot substitute for labor in progress [liu dong lao dong xing tai 3177 0520 0525 0520 1748 1966], let alone completed labor [ning gu lao dong xing tai 0413 0942 0525 0520 1748 1966], because, strictly speaking, remuneration is linked only with effective labor, rather than with labor capability. True, the wage of a person with broad and profound knowledge, a higher technical level and a stronger labor capability should be higher than other laborers in general provided that he is normally engaged in labor. How much higher should his wage be than others? This problem needs specific analysis.

We should, first of all, be clear that when a person's labor capability is strong, this shows he has higher educational and training level. In our country, a fairly great part of the educational and training fees is paid in advance by the state. Those who receive better education and are engaged in complicated labor will produce greater labor achievements, or create greater value. Part of their higher wages should be turned over to the state. However, generally speaking, after deducting the educational and training fees by the state, the amount of labor contributed to the society by intellectuals, who are engaged in complicated labor, is still far greater than that of the persons engaged in simple labor. This is the reason why the remuneration of laborers (mainly intellectuals) who are engaged in complicated labor should be higher than those who are engaged in simple labor.

At present, it is true that the wage level in educational and scientific research institutes is comparatively low. But this problem cannot be solved by simply relying on the

limited finance of the state. With the development of commodity economy and the rise of the market of talented personnel and labor force, the wages of both manual laborers and white-collar workers will increasingly be affected and constrained by supply-demand relations. In some big cities, high-level specialized personnel might be superfluous. Therefore, we need a flexible policy and the courage of the broad masses of intellectuals to explore the way forward, and blaze new trails. They should be bold in taking the risk, and be willing to part with the "iron rice bowl" to go to places or units which can offer them high salaries. We should realize that working in a relaxed working environment where the staff is superfluous and working efficiency is low, we cannot expect wages to increase by a big margin. Our intellectuals must have a sober understanding of this.

My View on the Incomes of Individual Operators [subhead]

The occurrence of individual operators in our country marks a progress in the development of commodity economy in the initial stage of socialism. In recent years, the broad masses of individual laborers have made certain contributions to the society by offering convenience to the people in their daily life. In the meantime, they have gained their higher economic incomes through their hard work.

How should we view the issue of the incomes of individual operators? This is an important question for studying and solving the issue of unfair distribution of social income. At present, when people are talking about the unfair distribution, their attention is focused on the incomes of individual operators. Those wage earners compare their wages with the incomes of individual operators. They find out that the gap is wide enough. This is truly a basic fact existing in our country. How should we understand the phenomenon?

It is known to all that individual economy first developed in our country because of the great pressure of unemployment. At that time, tens of thousands of members of urban labor forces were unemployed. Under such circumstances, the government proposed a "three-in-one" employment plan. A large number of labor force members embarked on the path seeking employment by relying on their own efforts. With the support of a series of government policies, the majority of individual laborers have completely changed their economic conditions, and their incomes have far exceeded the wages of workers and staff members working in units under public ownership. However, the higher incomes of the majority of legal individual operators generally match with the amount of their labor. Of course, they have also additional incomes from their assets and the risk they take, and so on. Generally speaking, the per capita annual income of the majority of individual operators is 3,000 to 5,000 yuan. Only a minority of them annually earn 10,000 to 100,000 yuan.

While analyzing individual operators' incomes, very often some people neglect the nature of their income. Normally, there are three sources for individual income: first, wages; second, incomes from assets, and third, transferring incomes. Wage earners only regard wages as their entire income, but forget the transferring income from welfare, and so on. Let us take houses as an example. A family of four lives in a house 50 square meters in size. According to market rent, the family has to pay 70 yuan each month. Theoretically speaking, the rent of 70 yuan should be regarded as an income subsidy [zhuan yi xing shou ru 6567 4448 1840 2392 0354]. Actually, the family only pays one-tenth of the amount. Although the income of individual operators is high, the ways they pay are different from those wage earners. Of course, we should not neglect the problems that some individual operators also live in public houses which only require low rents, and so on.

We should not turn a blind eye to individual operators who make staggering profits illegally. However, as far as the majority of individual operators are concerned, we should regard their higher income as normal. We should develop a new concept: incomes, no matter how high they are (after tax is paid), are rational as long as they are legally earned. The most important problem for us to address is to provide correct guidance for these incomes (profits) through proper policies so that they will be rationally consumed (in production and daily life). Punishment should be meted out to those individual operators, who are guilty of violating the law, decree, rules and policy, or evading taxes of the state. This is a normal phenomenon under the conditions of commodity economy. With regard to excessively high legal incomes, it is easy to regulate them through taxes. The key lies in strengthening the bookkeeping system in the society, and the effective supervisory system.

In accordance with the analysis mentioned above, it is unnecessary for us to take to heart the incomes of individual operators. Nor is it necessary for us to take improper restrictive measures. If individual operators find that there is no profit to make, they will turn their attention to the "iron rice bowl." This will not only bring a loss to social economy, but also cause a series of social problems.

In a word, the problem of the distribution of social incomes is very complicated. It is both an economic and sociopolitical problem. With regard to the incomes of various stratum, the state should macroscopically and properly control their proportionate relations, so that it can always be able to regulate them through necessary economic means. However, we must do things in a meticulous and steady way. We must not artificially and blindly widen the gaps in incomes once we hear that the problem of egalitarianism is serious. Nor must we even out everything once we hear the problem of unfair distribution of income.

RENMIN RIBAO Interviews Economists

HK1407065088 Beijing RENMIN RIBAO in Chinese
8 Jul 88 p 2

["Reform Topics" column by Dong Huanliang (5516 3562 0081): "Stabilize Currency, Bravely Overcome Hurdles—an Interview With Economist Liu Guoguang"]

[Text] In mid-summer, this reporter visited economist Liu Guoguang, vice president of the Chinese Academy of Social Sciences, and had a talk with him on how to check inflation to help the price reform. "The Idea of Inflation Being Beneficial" Is Not in Line With National Conditions [subhead]

Reporter: Last year, our economic situation was good. The gross national product for the first time passed the mark of 1,000 billion yuan. For the first time, nonagricultural industrial output value in the countryside exceeded rural output value. For the first time in many years, there appeared the new situation of microeconomic revitalization and macroeconomic control stimulating each other. But there was also the problem of a rise in commodity prices. Should this problem encountered in our advance be given serious attention?

Liu Guoguang (hereinafter called Liu): This problem really merits attention. Last year, given the absence of any major price readjustment measure and a rise of only 0.91 percent in the overall level of commodity prices as a result of a government act of readjustment, the commodity price index rose 7.3 percent. This situation could not be explained by the [price] structure, or by the supply and demand relations involving a portion of products. It was mainly because of the increase in the supply of money and the increase in the overall supply of bank credit greatly exceeding the actual growth of the gross national product. Therefore, this was basically an inflationary commodity price increase.

Reporter: An inflationary commodity price increase has aroused the widespread concern of society. But in recent years, there has appeared in economic theory circles the idea of moderate inflation being beneficial. What is the matter?

Liu: In opening up to the outside world, we, while importing hardware, have also brought in software, including some theories. But if any theory is to take root and grow in the soil of China, an important prerequisite is its compatibility with the national conditions of China. For example, Keynes had the West's inadequacy of effective demand in mind. With an eye to the phenomenon of a relatively great product surplus in a given period of time, he put forward the idea of running up a budget deficit. He called for accelerating economic recovery by increasing credit and using other means. It was this "foreign-made product" that gave rise to the idea of inflation being beneficial. This "foreign product" seems quite novel. But it does not fit with the national

conditions of China. It cannot be borrowed in its entirety. Therefore, from a short-term point of view, where idle resources and idle production capacity exist, involvement with a budget deficit and inflation can really play a part in stimulating economic growth. But the existing national conditions of China are such that resources are relatively limited, effective demand is excessive, and products are in relatively short supply. Given such a situation, inflation can only cause a sustained rise in commodity prices and bring about a state of economic instability. The disadvantages obviously outweigh the advantages. Stabilizing Inflation Calls for Comprehensive Control [subhead]

Reporter: In its past efforts to throttle inflation, our party and government took such measures as reducing consumption, withdrawing surplus money from circulation, cracking down on speculation and profiteering, and so forth. Given a new situation, what are the counter-measures that should be taken to stabilize inflation?

Liu: The current inflation calls for exercising comprehensive control economically and in terms of currency. First, we must appropriately slow down the pace of economic development to reduce inflationary pressures. Inflation is a currency phenomenon. Overall demand economically exceeds overall supply. This provides an objective basis for its appearance. Considering our actual average economic growth from 1981 to the present was too quick, if we can in the years to come take realistic and effective measures to keep the growth rate of the gross national product at below 7.2 percent with industrial growth maintained at below 10 percent, we cannot only be sure of attaining the goal of tripling total industrial and agricultural output value by the end of the century, but we can also check inflation once and for all.

Reporter: Inflation, after all, appears when the supply of money exceeds the actual demand for commodities in circulation. Even given inflationary factors economically, if we can keep watch over the "floodgate" in the supply of money, inflation—logically speaking—is not likely to come about.

Liu: It is really very important to tightly shut the "floodgate." To this end, we should strengthen the authoritative status of the central bank. Under the existing system, where there is a budget deficit, overdrafts would be obtained from the central bank. When specialized banks get involved with loss of control over credit granted, they would ask the central bank for further loans. The central bank could only issue currency notes. As the central treasury and disbursement department, this central bank must be thoroughly reformed. In the future, we must formulate banking laws and laws governing the issuance of bank notes. The NPC should be allowed to determine and control the general growth of money supply and the amount of money printed on a

short-term basis. Overdrafts from the bank to make up the budget deficit are to be forbidden. The freedom of printing money is to be restrained through the legislative organ.

In addition, we must strictly control investment and consumption needs. We must start imposing consumption taxes and personal income taxes; issuing government bonds, corporate bonds, and company stocks; and selling small factories, small shops, and residential housing. We must also raise bank interest rates on savings. This is to control demand, promote efficiency, encourage saving, strengthen accumulation, and gradually ease inflation.

Create Conditions and Overcome the Threatening Problem of Price Reform [subhead]

Reporter: At present, our reform has reached a crucial stage. There is an urgent need to straighten out the pricing system through price reform. Thus, enterprises can compete on equal terms. The market system can be established and perfected as quickly as possible. The government can effectively exercise indirect control. People ask: Would the introduction of a price reform clash with the control of inflation?

Liu: In our country—with the prices of farm products, certain primary products, and so forth being on the low side—straightening out prices to rationalize the price structure will naturally cause the general commodity price level to rise, to a certain degree. To disallow a partial rise in the commodity price level is to disallow reform. That will of course not work. On the other hand, the rationalization of the price structure can also be achieved, only given a relatively steady and not volatile general price level. Control of inflation can leave room for an increase in commodity prices arising from the price reform. Therefore, it can be said that checking inflation is a prerequisite for price reform.

Reporter: Can it be that there is the need for us to be provided with two fundamental conditions? First, through appropriate economic growth and rational wage compensation, we must strengthen people's capacity for absorbing the increase in the composition of commodity prices. Second, we must gradually stabilize inflation to keep commodity prices from increasing on a rotating basis.

Liu: So it is. As long as we take effective measures to achieve these two aims, we can keep a tight grip on the price reform without missing a good opportunity, and overcome this threatening problem with a well thought-out plan.

Private Firms Multiply Under New Policies
HK1307141588 Beijing CEI Database in English
13 Jul 88

[Text] Beijing (CEI)—Enterprises in the forms of ownership other than state-owned, such as private, collective and various foreign-funded enterprises, have been growing very quickly under the state's new policies.

According to the latest statistics, the proportion of state owned enterprises in the total industrial output value fell from 83 percent in 1978 to 67 percent in 1987, while that of collective and private and other enterprises rose to about one-third.

To date, the number of town and township enterprises has reached 15.15 million with more than 79 million staff and workers. The number of private enterprises employing more than eight persons is 225,000 with 3.6 million employees. The output value of private enterprises accounts for one percent of the country's total. The number of foreign-funded enterprises is now more than 10,000 with a total contracted investment of 22.8 billion U.S. dollars.

Enterprises Reorganize Workforces for Efficiency
HK1407005088 Beijing CHINA DAILY in English
14 Jul 88 p 4

[By Bian Yi]

[Text] It is the middle of the working day. In the yard of a medicine factory in Henan, a dozen workers watch and cheer as a few colleagues try clumsily to learn to ride a bicycle.

In a TV factory in Shanghai, quality examiners sit down and turn on the TV sets in front of them; not to check the quality but to watch their favourite programmes.

In the workshop of a printing house in Sichuan Province, a group of workers gather beside the idle machines and enjoy a game of cards.

All over China, the problem is the same underemployment or "invisible unemployment" in enterprises, especially State-owned ones.

The country has about 20 million "unemployed" job holders—people with work but without a productive task.

The employees of a Hebei Province enterprise were reported to have worked only four hours a day last year although they were on an eight-hour shift. In another factory, workers do an eight-hour day shift and a two-hour night shift. But it was estimated that the job could be finished within two.

The director of a factory with 9,370 workers announced that he could cut one-third of the staff without affecting the factory's operation in the least.

One reason for these millions of idle hands is that for years, to keep the unemployment rate low, labour and personnel departments all across China have been cramming workplaces with new workers. This is despite the fact that most of the workplaces have already got more than enough staff.

Today, with a huge population and a rapid increase in the number of young people entering the workforce, the country is finding it hard to avoid the problem of unemployment. Enterprises are seeing their payrolls growing longer without corresponding growth in production. Several people sharing the work of one has been a common phenomenon in many enterprises.

Recently, as a step to raise efficiency and part of the reform of China's employment system, many enterprises are reorganizing their workforces.

The result is that underemployment becomes unemployment within enterprises. People removed from their posts stay on the payroll, but they are not given any bonuses and some are drawing only a percentage of their regular salaries. In Shanghai, more than 90 enterprises have some 3,000 workers who have been removed from their posts. These "unemployed job-holders" wait for reassignment or undergo professional training if they cannot immediately find other jobs.

Some enterprise leaders are doing their best to create new jobs for these "unemployed." Service companies and subordinate workshops are set up to absorb the surplus labour. In Xiamen, Fujian Province, enterprises with surplus workers have opened their doors so that any unit can select employees from the unemployed job holders.

Of course, no matter how hard they try, enterprises cannot be expected to re-employ all their surplus workers. The final solution lies with labour markets that really offer equal chances for jobless people to compete for employment.

Social security work should be promoted to guarantee a basic standard of living for the unemployed. Without improvement in these external conditions, the internal reform of enterprises aiming at greater efficiency cannot be expected to go much further.

Machinery, Electronics Industry Plans More Exports
HK1407010688 Beijing CHINA DAILY in English
14 Jul 88 p 1

[By staff reporter Liu Dizhong]

[Text] China's machine-building and electronics industry is being urged to make big strides to keep up with the development of the nation's economy and the modernization drive in national defence.

Plans have also been mapped out to increase exports of Chinese-made machinery and electronics products in a bid to bring the industry into line with the nation's growing export-oriented economy.

The State Council's recent decision to merge the State Machine-Building Commission and the Ministry of Electronics Industry has paved the way for the country to catch up with world advanced levels in the field.

Although it is a newly-developed industry in China, the output value of machine-building and electronics production ranks the nation seventh in the world. Domestically, it makes up a quarter of the national's total industrial output value.

The ministry, the largest under the State Council in the industrial field, will concentrate its efforts on development strategy, new policies, and strengthening the overall control of the industry, which covers nearly 120,000 enterprises and more than 21.5 million employees.

Minister Zou Jiahua urged China's machine-building and electronics industry to closely follow new technology and developing trends in the world and to strive as hard as possible to narrow the gap with developed countries.

Imports of new technology are necessary, Zou said, but he stressed that the focus must be put on self-reliance to tackle key projects and make breakthroughs in the technological field. Over the past 10 years, China has imported through various channels more than 3,000 items of new technology, giving great impetus to the progress of the nation's machine-building and electronics industry.

Zou, also a State Councillor, said yesterday at the inauguration ceremony of the new ministry that top priority must be given to the research and production of military equipment to serve the modernization programme of national defence.

The former Ministry of Munitions was also merged with the new ministry. "We must speed up the fulfillment of planned research to provide the Army with new types of high-quality weapons as soon as possible," said 61-year-old Zou.

During the 10 years between 1978 and 1987, the output value of China's machine-building and electronics industry has increased by more than 277 per cent. In the first five months of this year, the electronics and machine-building industries increased their output value by 34 per cent and 19.6 per cent respectively.

The situation is just as good in exports of Chinese-made machine-building and electronics products. Last year the export of these products hit an all-time high, totalling more than \$3.85 billion.

Urging the ministry to keep an eye on the world market, Zou predicted that exports in this field will expand by a big margin over the next few years.

Bureau Urges Increase in Organic Fertilizer Use
OW1407064388 Beijing XINHUA in English
1457 GMT 13 Jul 88

[Text] Beijing, July 13 (XINHUA)—In a recently published report, the State Statistics Bureau has urged farmers to use more organic fertilizers and less chemical fertilizers because of rapidly diminishing soil fertility in China's farmlands.

The report highlighted the twin problems of reduced soil fertility because of overuse of chemical fertilizers and greater pollution due to unsatisfactory methods of dealing with urban waste. These two problems are interlinked, the report said.

The report found that China uses an average of 208.5 kilograms of chemical fertilizer per hectare of farmed land, compared with the world average of 94.5 kilograms per hectare. This is affecting the structure and balance of the soil and may put future farm production at risk, the report said.

At the same time, urban night soil is not being put to the best use. In Anhui Province, for example, 720,000 urban residents discharge 2,700 tons of urea, 1,100 tons of calcium superphosphate, and 1,000 tons of potassium oxide a year. However, only 5 percent of these fertilizing substances are used and the rest is discharged as pollutants into nearby rivers and lakes.

The report recommended that a publicity campaign be launched to advise farmers on more appropriate use of fertilizers. It also recommended that more investment should be channeled into building night soil treatment plants in suburban areas.

Experts Urge Coastal Development Incentives
HK1307141188 Beijing CEI Database in English
13 Jul 88

[Text] Beijing (CEI)—Chinese experts have urged that the government stipulate preferential treatment to encourage exploration and utilization of coastal area and offshore resources.

Experts who have been exploring coasts and beaches over the past few years to verify the resources concluded that the coastal and offshore areas and the development of these areas are the base and backbone for the open coastal cities to develop their export-oriented economy. Besides the offshore oil exploration, construction of big ports and sea transport which are arranged by the state, local governments should make efforts to develop and utilize the resources of these areas according to their particular natural conditions.

Experts said, emphasis should be put on the development of the poor islands and some maritime economic zones should be set up. Meanwhile, the existing sea transportation, ship-building, fishery and salt processing industry shall be upgraded or expanded.

China's beaches can be converted into at least two million hectares of arable land now and 3.3 million hectares by the end of the century. So far, only about one million hectares of beach arable land are utilized. The offshore and coastal areas are also rich in oil, natural gas, salt and other minerals.

New Technique Increases Rice Output
OW1307172288 Beijing XINHUA in English
1230 GMT 13 Jul 88

[Text] Hangzhou, July 13 (XINHUA)—Now 14 of China's provinces and municipalities are trying out a new technique to increase rice production which will soon be popularized in more of the country's rice-growing areas.

Agriculturists who have just inspected areas using the new technique agree, multi-effect triazole, also known as "MET," a new growth retardant, is successfully solving the rice seedling overgrowth problem in second crops.

Wang Xi, a professor from the Hangzhou-based China National Rice Research Institute, who is also the project's head, said second crops of rice are grown on 20 million hectares in China, and because of high temperatures, second crop seedlings often grow too tall to be transplanted.

Wang also said, farmers in many areas used to transplant seedlings twice, but this technique required a lot of labor and time.

Wang, who tried using six types of chemical pesticides as growth retardants between 1972 and 1985, started experimenting with "MET" in 1985, with the results surprisingly satisfactory.

Wang kept expanding the area under experimentation, and this year, the technique is being tried out on more than 200,000 hectares in 14 provinces and municipalities.

Luo Fu, an agronomist from Shaoxing County, said, experiments show spraying "MET" on second crop seedlings at the 1-2 leaf stage can reduce plant height as much as 30 percent.

According to Wang, "MET" has all the positive aspects of the six pesticides he tried out, but exhibits none of the disadvantages like high cost and side effects, and with "MET" seedlings return to a normal growth rate after 34-36 days.

"MET" has proved very effective on hybrid rice, said Xiong Chuangya, an agronomist from Hunan Province, adding in the past, each hectare required up to 52.5 kilograms of seed, but by using "MET" only 15 kilograms of seed are needed and output goes up more than 10 percent.

So far, popularization of the technology is limited by the amount of "MET" available, Wang said, but as production increases, the technique will be used more widely nationwide.

Central Television To Improve English Service
OW1407082188 Beijing XINHUA in English
0712 GMT 14 Jul 88

[Text] Beijing, July 14 (XINHUA)—China Central Television's [CCTV] English service will take on a new look from Monday, "CHINA DAILY" reported today.

New programs are being introduced to improve the variety and quality of the service, according to Xu Xiongxiang, director of CCTV's external services.

In addition to the news, which generally lasts about 20 minutes and the weather forecast, the service will consist of six different programs for each night of the week.

Monday's program is called "Center Stage," in which traditional Chinese operas, folk songs and dances, acrobatics, ballet and various kinds of art performances will be presented.

"China, China" is featured on Tuesday. Feature documentary films will introduce the lifestyles, customs and habits of the Chinese people.

Wednesday will see "TV Theater" showing TV plays dubbed in English.

Thursday's program is a current affairs series called "Focus." Subjects discussed will include both serious and lighthearted events. Peng Wenlan, the former coordinator of "English on Sunday," will be in charge.

The program for Friday is named "Outside In" (meaning Windows on the World), showing special documentary films introducing foreign countries.

Saturday is "Screen Time," a special program for the weekend. Chinese or foreign feature films will be shown. Unlike the past practice where a film was often split into two parts, the new arrangement is for viewers to see the whole film the same night.

Other programs under preparation include "Teaching Foreigners Chinese" and "China Through the Eyes of Foreigners," Xu said.

East Region

Jiangsu To Improve Supply for Foreign Firms *HK1307140388 Beijing CEI Database in English* 13 Jul 88

[Text] Nanjing (CEI)—Jiangsu Province's Nantong City has set up a network to improve the material supply service for foreign-funded firms.

The network will give priority and preference to the foreign-funded firms for materials supply, help them adjusting their foreign currencies, import raw and supplementary materials which are in shortage on China's market, and sell products for the firms on the world market.

Foreign-funded firms can contact any of the members of the network for purchasing materials they needed or obtaining information on material supply.

Jiangsu Secretary Addresses Nanjing University *OW1307154388 Nanjing Jiangsu Provincial Service* in Mandarin 2200 GMT 4 Jul 8

[Text] Yesterday afternoon, Han Peixin, secretary of the provincial party committee, arrived at Nanjing University to give a lecture to over 1,000 teachers and students who are party members. Comrade Han Peixin systematically expounded on the significance of bringing the party members' role as models into play. He urged every party member to steady their faith, temper themselves, and propel the reform forward with concrete deeds.

Comrade Han Peixin also pointed out that in the new era, party members must handle well the relationship between ideals and reality, between carrying forward the fine traditions and renewing ideas, and between a party member's self-discipline and correct party style.

Touching on the question of how party members in the institutions of higher learning can bring the role as vanguards and models into play, Comrade Han Peixin laid down several requirements:

1. Party members must have a clear understanding of the current situation with an overall and practical view of its development; do a good job in ideological and political work among nonpartisan intellectuals and students; and strive to make more contributions in the reform;
2. Party members must safeguard stability and unity and create stable and favorable conditions for the reform; and
3. Party members must temper themselves in the readjustment of the relationship of interests during the crucial moment of the reform and must cultivate a spirit of making short-term personal sacrifices in the interest of reform.

At the meeting, he also commended 5 advanced party branches, 13 outstanding party members, and 5 advanced student collectives and 13 advanced individuals in promoting political education.

Shandong Offers Preferential Investment Terms *OW1307142488 Beijing XINHUA in English* 0818 GMT 13 Jul 88

[Text] Qingdao, July 13 (XINHUA)—Shandong Province is offering tax breaks and full managerial authority to foreign businessmen investing in the open economic zone of Shandong Peninsula.

All foreign-funded projects are entitled to exemptions from or reductions in customs' duty, local income tax, product tax and value-added tax, a provincial official said here today.

Foreign-funded enterprises already enjoy priority in supplies of water, electricity and fuel.

The official said foreign investors are able to take their legitimate earnings out of China and can appeal directly to mayors and provincial governors in charge of foreign investment for help should problems arise.

Investors can also manage their own businesses according to internationally accepted practices. For example, managerial and technical employees may be hired in China or abroad and foreigners may serve as general managers.

Real estate and money markets can be opened on the peninsula and foreign financial institutions are allowed to open branches or set up Sino-foreign joint banks there.

Chinese enterprises in the peninsula can now negotiate directly with foreign firms on the processing of customer-supplied materials with county authorities having the power to approve such deals.

Government offices in charge of enterprises can endorse the use of foreign funds to retool enterprises.

Moreover, city authorities can approve contracts on the establishment of Sino-foreign joint ventures, cooperative businesses and wholly foreign-owned enterprises.

Shanghai Develops Raw Material Industry *OW1307142788 Beijing XINHUA in English* 0817 GMT 13 Jul 88

[Text] Shanghai, July 13 (XINHUA)—Shanghai is busy developing its raw material industry by introducing advanced technology and renovating enterprises.

An official of the city's Economic Department said about half of the foreign capital used for advanced technical items in the city over the past two years has been invested in metallurgical and chemical industries.

The focus has been mainly on development of ferrous and nonferrous metals, petrochemical products, chemical fibers and construction materials, he said, adding Shanghai's economic development has been restricted by a lack of raw materials.

Shanghai Firms Urged To Set Up Overseas Branches
OW1307130588 Beijing XINHUA in English
1202 GMT 13 Jul 88

[Text] Shanghai, July 13 (XINHUA)—The establishment of Shanghai businesses in other countries is an important way for the city to develop its export-oriented economy, experts said Tuesday at a conference here on enterprise transnationalization.

Experts felt more should be done to investigate overseas markets, research opportunities and train managerial personnel for enterprises setting up branches abroad.

The city has 25 enterprises in eleven countries and regions, representing an investment of 25 million U.S. dollars.

Central-South Region

Guangdong Fiber Firm Begins Operation
HK1307141388 Beijing CEI Database in English
13 Jul 88

[Text] Guangzhou (CEI)—The Guangdong Foshan Chemical Fibres Union Corporation, the biggest of its kind in China, has been completed and put into operation recently.

Foshan's textile industry is one of the country's 12 production bases for textile exports. It raised funds by itself to set up the joint venture with a Hong Kong company without any funds from the central government. In a little more than three years, 13 plants have been set up by the Fenjiang River, including a polyester plant with an annual production capacity of 90,000 tons, a continuous polyester fibers plant with an annual production capacity of 10,000 tons of yarn and a synthetic fiber plant with an annual production capacity of 22,500 tons of polyester fibers.

The project's total investment is 430 million yuan and covers an area of 300,000 square meters. Its key equipment and machinery were imported from Federal Germany, Switzerland, Japan and the United States.

The corporation has exported its products to Japan, Pakistan and South Korea, and has received orders from the United States, Canada and Hong Kong.

Hainan To Concentrate on Agriculture
OW1307183188 Beijing XINHUA in English
0647 GMT 13 Jul 88

[Text] Haikou, July 13 (XINHUA)—Hainan, the newest province and largest special economic zone in China, will devote every effort to the development of intensive agriculture.

A provincial leader told a recent meeting on agricultural policy, which was the first for the province, that the island is in a favorable condition to develop a diversified rural economy, especially tropical crops. However, its advantages in this regard have not been fully tapped.

The province has a population of 6.15 million, 81 percent of whom are engaged in agriculture. Its agricultural output value makes up 60 percent of the total industrial and agricultural output value of Hainan and the export of farm produce accounts for 70 percent of its total export.

On the province's overall development plan for the next three to five years, the official outlined six aspects:

- raising the annual grain output from present 1.3 billion kg to 1.7 billion kg;

- bringing its forest cover rate from 20 to 30 percent;

- expanding areas for the planting of tropical plants (the area sown to rubber is planned to reach 360,000 hectares, pepper, 20,000 hectares, coffee, 20,000 hectares and coconut trees, 26,600 hectares);

- promoting aquatic breeding;

- revamping 300 fishing vessels to raise its annual fishing capacity from 115,000 tons to 300,000 tons; and

- boosting the animal husbandry, processing and food-stuffs industry.

Hunan Worries About How To Ship Out Surplus Pork
OW1307131488 Beijing XINHUA in English
1159 GMT 13 Jul 88

[Text] Changsha, July 13 (XINHUA)—While pork is being rationed in such large cities as Beijing and Tianjin, the authorities in Hunan Province are worrying about how to ship 70,000 tons of frozen pork out to other regions, XINHUA learned today.

Surveys in 22 pig-raising centers in the province showed that the amount of livestock in these areas totalled 7.55 million head, a 33 percent increase over the same period last year.

An official attributed this to farmers' growing enthusiasm for pig-raising as a result of a rise in pork purchasing prices and a cut in the price of pig feed.

At the moment, 1.4 million head of frozen pork are stored in 21 large and medium-sized cold storages, and no more are being accepted.

Lack of transportation facilities is the major cause of the problem, said the official, citing the instance of telegrams from Beijing, Tianjin and Wuhan to Changsha demanding 120 railroad wagons of pork in July, only to be told that only 28 wagons were available.

Southwest Region

Sichuan Province's Exports Reach Record
OW1407020988 Beijing XINHUA in English
1223 GMT 13 Jul 88

[Text] Chengdu, July 13 (XINHUA)—China's southwestern province of Sichuan achieved a remarkable increase in exports in the first half of this year, XINHUA learned today.

From January to June, the province fulfilled 66.9 percent of the annual export target, which represents a 28.3 percent increase over the same period last year.

Some 75 percent of the annual export target for silk, Sichuan's major export item, has been hit ahead of time.

Compared with the same period last year, this marks a 37 percent increase, said a provincial official.

He attributed the growth to a guaranteed supply of raw materials, energy, capital, and technology to the province's more than 50 export-oriented enterprises.

Tibet People's Congress Standing Committee Meets
HK1307151388 Lhasa Tibet Regional Service
in Mandarin 1330 GMT 12 Jul 88

[Text] The 4th regional People's Congress Standing Committee held its 27th meeting in Lhasa on 12 July, under the chairmanship of its vice chairman, Pagbalha Geleg Namgyai. Present at the meeting were Vice Chairmen Sengqen Lozong Gyaincain, Lang Jie, Jangzhong Zhaxi Doje, Samding Doje Pamo, and (Yuan Guangxi), as well as all its members. Those attending the meeting as observers included Gyamco, vice chairman of the regional people's government; Zi Cheng, president of the regional People's Higher Court; (Yang Youcai), chief procurator of the regional People's Procuratorate; and comrades in charge of the regional people's government General Office, Lhasa City People's Congress, and liaison offices of people's congresses of various areas.

The main items on the agenda of the meeting are: To consider and approve draft items on the agenda of the 27th meeting of the 4th regional People's Congress Standing Committee, and to hear a relayed report on the spirit of the Second Meeting of the Seventh NPC Standing Committee to be made by Pudoje, vice chairman of the regional People's Congress. The meeting will also consider and

approve a report by the regional People's Congress on the region's 1987 final accounts, listen to and consider a report on how the regional people's government deals with motions raised by delegates at the sixth session of the fourth regional People's Congress, and consider and approve a resolution on rules of procedure for the regional People's Congress Standing Committee.

The meeting also decided that the first session of the fifth regional People's Congress will be held on 25 July 1988.

Passes Election Rules

HK1307151988 Lhasa Tibet Regional Service
in Mandarin 1330 GMT 12 Jul 88

[Text] The following is an announcement made by the Tibet Regional People's Congress Standing Committee on 12 July 1988:

In compliance with the PRC Electoral Law for the NPC and the local people's congresses at different levels, the Tibet region detailed rules and regulations governing election of deputies to the people's congresses at different levels, the manner of election of PLA deputies to the regional and local people's congresses. Based on the decision of the fifth session of the fourth regional People's Congress on the distribution plan and election of deputies to the fifth regional People's Congress, deputies to the Fifth Tibet Regional People's Congress have been elected by 66 electoral units of different cities and counties and PLA units stationed in Tibet. In accordance with a report presented by the Committee for Credentials of Deputies, the regional People's Congress Standing Committee has confirmed that credentials of 433 deputies are valid.

North Region

Beijing Residents Concentrate on Self-Study
OW1407061888 Beijing XINHUA in English
1424 GMT 13 Jul 88

[Text] Beijing, July 13 (XINHUA)—With many Chinese putting all their efforts into making money, a lot of Beijing residents are still studying on their own to get a university diploma.

In each of the last 2 years, about 80,000 individuals took self-study exams, which was a lot more than in previous years, said Bai Jiefu, chairman of the Examination Committee for Self-Taught Higher Education.

A committee official praised these self-learners as a good way to promote professional training in China's capital.

For example, the official said, Beijing needs more nurses, but institutions of higher learning can enroll no more than 100 a year so the committee started offering exams in nursing, which have attracted more than 2,000 self-taught individuals in the field.

In China's universities, every liberal arts student requires 6,400 yuan (1,700 U.S. dollars) of state money and each engineering major will cost the state 7,300 yuan (1,900 U.S. dollars), the official explained, adding self-taught students need only about 100 yuan (27 U.S. dollars) of state funds.

Examinations for self-taught individuals started in 1980, mainly for the benefit of those young people who lost their opportunity for higher education during the "Cultural Revolution" (1966-1976).

Now, 8 years later, the programs have officially become a long-term practice to encourage those individuals who have failed to enter universities to study on their own.

Last March, the State Council issued provisional regulations on examinations for self-taught higher education, thus further establishing the practice's position in China's educational system.

During the past 8 years, some 185,000 people have taken the exams, with 10,700 passing exams in specific areas and 95 earning bachelors degrees.

Yuan Zhongrui, one of Beijing's first autodidacts to earn a bachelors degree, who was sent to rural Inner Mongolia during the "Cultural Revolution" for 11 years, said, "Through self-study I have acquired not only knowledge but also self confidence."

A 19-year-old shop assistant said that she is teaching herself Japanese, hoping to get a diploma in foreign languages and later get a job in a big hotel.

Some examinees are frustrated by the indifference of their employers to their efforts, but other employers are encouraging their workers to do self-study by offering them financial subsidies of up to 500 yuan (135 U.S. dollars).

"Some self-study students write to the examination committee complaining the exams are too difficult," said Gu Mingyuan, the committee's vice chairman, "but the exams have to be difficult to guarantee the quality of our graduates."

So far, the committee has invited 287 university professors to guide students in their study, with 90 percent of those helping out full and associate professors.

Ding Shisun, president of Beijing University and a member of the committee, said, self-study programs are applicable and necessary in China, but the curriculums and overall teaching methods need to be improved to meet the needs of the country's economic construction.

Hebei Holds Meeting of Prefectural, City Leaders SK1407050688 Shijiazhuang HEBEI RIBAO in Chinese 21 Jun 88 p 1

[Excerpts] How should we learn from Shandong's experiences to develop Hebei's economy? The provincial party committee held a meeting of prefectural and city party and government responsible comrades from 18 to 20 June. Attending were party committee secretaries, commissioners and mayors of prefectures and cities, and responsible comrades of the various departments directly under the province, totaling 160 persons. Nearly 30 comrades spoke at the meeting to introduce and exchange experiences in their study and discussions conducted after the provincial television and radio conference.

Xing Chongzhi, secretary, and Li Wenshan, Yue Qifeng, and Lu Chuanzan, deputy secretaries of the provincial party committee, presided over the meeting. Also attending were responsible comrades of the provincial party committee, Advisory Commission, People's Congress Standing Committee, government, CPPCC Committee, and Discipline Inspection Commission. [passage omitted]

In their introduction and exchanges of experiences, the participants came to understand that the basic point of Shandong's experiences is to seize opportunities and work bravely in a down-to-earth manner. Based on the eight opinions on learning from and catching up with Shandong offered by the provincial party committee, the various prefectures, cities, and departments directly under the province formulated specific measures for learning from and catching up with Shandong in line with their actual conditions. They were determined to pay attention to the current work, carry out reform persistently, face up to difficulties, and gradually improve the development plans of their own prefectures, cities, and departments in the process of practice. Cities opened to the outside world, such as Qinhuangdao, Tangshan, and Cangzhou, introduced their measures to seize opportunities to further develop their advantages, expand export to earn more foreign exchange, and develop the export-oriented economy. Comrades from Shijiazhuang Prefecture, Shijiazhuang City, Xingtai Prefecture, Xingtai City, Chengde Prefecture, Chengde City, Zhangjiakou Prefecture, Zhangjiakou City, and Hengshui Prefecture introduced in detail their specific measures to deepen reform, relax policies, delegate power to lower levels, increase vigor, and pay close attention to sustained growth in their endeavor to learn from and catch up with Shandong. Responsible comrades of the units directly under the province, and those from the Planning and Economic Commission, foreign economic relations and trade commission, construction commission, financial department, supply and marketing cooperative, bank, machinery, and electronic department, cultural department, and medical and pharmaceutical general company also spoke to introduce their plans and measures for learning from and catching up with Shandong. They were determined to serve the grassroots levels still better, and make their due contributions to the coordinated economic development of the province.

Comrades Xing Chongzhi, Yue Qifeng, and Lu Chuanzan spoke at the conclusion of the meeting. [passage omitted]

Yue Qifeng said in his speech: A success in learning from and widely applying the experiences of Shandong in line with the reality of Hebei may be very possibly a transition in Hebei's endeavor to further emancipate the mind, deepen reform, open wider to the outside world, and further accelerate development. We must understand the great significance of learning from Shandong from this perspective, and never shout for a short period of time and become voiceless. According to the plan of the provincial party committee, every prefecture, city, department, and bureau should hold meticulous study and discussions, and put forward plans and measures concerning what and how they will learn from, what their goals are, where they lag behind, and how they will catch up. The provincial government decided that beginning in late June, it will hear reports of departments and bureaus one by one, and study and solve some major problems. We should combine our efforts to learn from Shandong with those to improve our work and those to arrange and fulfill the tasks for the second half of this year, and strive to achieve new development in our province's economic construction.

Based on Shandong's experiences and our province's reality, Yue Qifeng also spoke on his opinions on the issues raised at this meeting, such as industrial enterprises' efforts to deepen reform, deepening of the rural reform, development of the rural economy, the revenue-sharing system, foreign trade reform, opening to the outside world, and development of an honest and upright workstyle.

In his speech, Comrade Lu Chuanzan relayed the opinions of the provincial party committee on the issue concerning incoordination in the end-of-term personnel change of the people's congresses, CPPCC committees, and party committees raised at this meeting.

Inner Mongolia Factory Breaks 'Iron Rice Bowl'
OW1307140888 Beijing XINHUA in English
0621 GMT 13 Jul 88

[Text] Beijing, July 13 (XINHUA)—A former munitions factory in the Inner Mongolia Autonomous Region has made successes in reforming its labor management, "CHINA DAILY" reported today.

The Second Universal Machine Works (SUMW) in Wuhai City has succeeded in breaking the "iron rice bowl" jobs system, said Liu Gexing, deputy director of the system reforming office of the municipal government.

In the past, SUMW had introduced and adopted a series of measures, such as public bidding and voluntary redeployment, to improve efficiency and increase production, but without any noticeable improvement, Liu said.

The factory bosses implemented another measure in May. They smashed the system of "workers' ranks" and instead signed contracts with all the employees on equal terms and without distinction. The factory also drew up a set of rules and regulations governing the implementation of this new measure.

Under the new system, any employee who violates the rules will be suspended for three months and receive only 60 per cent of his normal pay. During this suspension period, violators are required to mend their ways.

After three months, those who have reformed will be allowed to return to their original posts, and those who haven't will be dismissed.

In less than two months since May, the factory has signed contracts with 93 percent of its total workforce of 803 members. Six percent of the staff were diagnosed as ill and asked to retire; one percent, about eight workers, were suspended, Liu said.

Northwest Region

Conditions 'Ready' for Northwest Development Zone
HK1407032988 Lanzhou Gansu Provincial Service
in Mandarin 2300 GMT 13 Jul 88

[Excerpts] The Gansu-Ningxia-Qinghai seminar on establishing a multinationality economic development zone on the upper Huang He concluded in Lanzhou on 13 July. [passage omitted]

The participants held that, while instituting the coastal economic development strategy, it is now imperative to establish as soon as possible a multinationality economic development zone on the upper Huang He, regard this as an experimental zone in implementing the Nationality Autonomy Law, and promote economic and social development in this area.

The area covered by the zone extends 1,000 km along the river from Longyangxia to Qingtongxia, together with the economic radiation strip on both sides of the river. It includes parts of Qinghai, Gansu, and Ningxia. The total area is 230,000 square kilometers, and the population is nearly 10 million. This zone is extremely rich in resources, including Gansu's nonferrous metals, Qinghai's electric power, and Ningxia's coal, which hold decisive status in the whole country. For various reasons, however, the economy in this area is rather backward compared with the country as a whole.

The participants in the meeting held: In the current situation of national shortages of electric power and raw materials, to build this zone into a raw material-producing zone and thereby lead forward the overall economic and cultural development of minority-nationality areas and speed up the pace of extricating them from

poverty and making them rich is of extremely great significance while the coastal areas are developing export-oriented economy. [passage omitted]

The participants held that from the macroeconomic view, China's coastal economic development strategy is a comprehensive and overall strategy. This strategy also includes the question of how to speed up economic development in central and western Ch'na. In terms of resource reserves, extraction conditions, science and technology forces, population quality, mental preparations, and preparatory work, the conditions for seizing the current favorable opportunity of China's implementation of the coastal economic development strategy and establishing an economic development zone on the upper Huang He are now ready. [passage omitted]

Following this meeting, the plans for the zone will be submitted to the CPC Central Committee and State Council for examination and approval, and will be put into effect after approval is given by the central authorities.

The meeting held a press briefing on 13 July. Fei Xiaotong, Qian Weitang, Luo Hanxian, Jia Zhijie, Ma Yingliang, and Song Ruixiang answered questions raised by reporters. [passage omitted]

Gansu Leaders on Economic Improvement Measures
HK1407042588 Lanzhou Gansu Provincial Service
in Mandarin 2300 GMT 13 Jul 88

[Excerpts] In their report on investigating Guangdong Province, submitted to the Gansu provincial work conference, Li Ziqi and Jia Zhijie held that the lack of harmony between the entire ownership structure and the level of the productive forces is a main reason why Gansu's economy cannot be enlivened and has developed rather slowly.

They said: In accordance with the theory on the initial stage of socialism proposed by the 13th national party congress and the current actual state of the productive forces in Gansu, we must carry out active readjustments in the ownership structure and strive to ensure that the production relations better meet the requirements of developing the productive forces. The basic line of thought on this issue is to develop an economy with a variety of ownership systems, with public ownership as the mainstay; while invigorating state-owned economy, we should focus on developing urban and rural collective economy and give free rein to developing urban and rural cooperative, individual, and private-ownership economy; and we should strive to set up more Sino-foreign joint ventures, cooperative ventures, and enterprises under wholly foreign ownership. The two leading comrades put forward the following specific ideas:

1. Further break down the traditional view of "large in size and collective in nature," and update concepts on the ownership issue in connection with the discussion on the productive forces criterion.

2. State-owned enterprises should introduce the management and operational methods of collective economy, to eliminate the defects in the operational mechanism of the existing enterprises.

3. In the future, no more whole-people-ownership enterprises should be set up in the localities, except for trades related to the lifelines of the national economy and projects impossible for nonstate-owned economy to establish.

4. The existing collective enterprises should be truly run along the lines of collective methods, and should not copy the pattern of the state-owned enterprises.

5. We must persistently regard the township and village enterprises and urban collective economy as the breakthrough points for invigorating Gansu's economy.

6. The industrial and commercial departments must give priority to examining and issuing licenses for collective, individual, and privately owned enterprises, joint ventures, cooperative ventures, and wholly foreign-owned enterprises, together with the [words indistinct] of enterprises owned by the whole people. The departments should submit a report to the local government if the issue of a license is found to be inappropriate. [passage omitted]

The two leaders also put forward the following specific ideas on taking advantage of Gansu's strong points in resources:

1. Establish the commodity economy concept of resources and strong points.

2. Open the doors to all points of the compass and work together to exploit the underground and surface resources. The province should formulate and perfect still more preferential policies to attract businessmen from other provinces and even from abroad to operate joint ventures or wholly foreign-owned ventures in resource exploitation.

3. Gradually reduce the proportion of raw materials covered by the plans and expand the proportion handled through market trading.

4. Develop in-depth processing and promote serialized exploitation, and gradually change the situation of simply selling primary products.

5. Improve as soon as possible unsatisfactory infrastructural facilities such as energy, communications, and telecommunications, to create an excellent environment for exploitation of resources.

6. Organize development zones and build commodity bases based on resource strong points.

7. Vigorously develop industry for supporting agriculture.

Taiwan To Participate in Beijing Asian Games
OW1307150688 Beijing XINHUA in English
1439 GMT 13 Jul 88

[Text] Hong Kong, July 13 (XINHUA)—Chinese Taipei has decided to take part in the 1990 Beijing Asian Games, announced Zhang Fengxu, president of the Chinese Taipei Olympic Committee Tuesday, according to the CENTRAL DAILY NEWS in Taipei.

The decision was made in accordance with the mainland policy approved at the 13rd Kuomintang Congress now being held in Taipei, which allows the Chinese Taipei Olympic Committee to handle the sports affairs between the two sides of the Taiwan Strait according to the regulations of the International Olympic Committee.

Zhang also claimed that the Chinese Taipei Olympic Committee will in the future send sports delegations or teams to attend competitions staged in mainland, such as Olympic Games, Asian games and championships sanctioned by international or Asian sports federations. However, he added, Taipei would not so far consider the invitational events held in Mainland.

According to the CENTRAL DAILY NEWS, Zhang raised a proposal at the congress, suggesting that the local sports organizations should have freedom to travel to mainland for international competitions.

The paper said the proposal also mentioned a recent two public polls which revealed that 71.7 percent of voters approve the idea of increasing sports exchanges between the two sides of the strait, and 58 percent agreed Taipei should send a sports delegation to the 1990 Beijing Asian Games.

Chinese Taipei quitted the Asia's largest sports festival after the sixth games in 1970, in Bangkok.

Official Hails Participation
OW1407103588 Beijing XINHUA in English
1004 GMT 14 Jul 88

[Text] Beijing, July 14 (XINHUA)—President of Chinese Olympic Committee (COC) and Executive Chairman of 1990 Beijing Asian Games Organizing Committee Li Menghua today welcomed the Chinese Taipei's decision to participate the 1990 11th Asian Games in Beijing.

Chinese Taipei decided to take part in the Beijing Asian Games Wednesday.

Li Menghua said in an interview with XINHUA that China has been welcoming Chinese Taipei Olympic Committee to send its sports delegation to attend the 1990 Asian Games ever since the Olympic Council of Asia (OCA) admitted Chinese Taipei Olympic Committee as an OCA member in 1986.

It is the first time for China to host such big games. The participation by athletes from the two sides of the Taiwan Strait in the Asian Games in Beijing will help promotion of exchanges between the two sides of the Taiwan Strait, he said.

The organizing committee of the 1990 Asian Games will do its best to provide all facilities it can for the Taipei athletes, he added.

Li also expressed his hope that Chinese Taipei athletes will come to mainland for other international competitions and vice versa, and that athletes between the two sides of the Taiwan Strait will have direct sports exchanges in the near future.

Beijing Vice Mayor Comments
HK1407082088 Hong Kong HSIN WAN PAO
in Chinese 14 Jul 88 p 1

[Report: "Zhang Baifa, Vice Chairman of the 11th Asian Games Organizing Committee, Welcomes Taiwan Participation in the Games To Be Held in Beijing in 1990"]

[Excerpts] Zhang Baifa, vice mayor of Beijing and vice chairman of the 11th Beijing Asian Games Organizing Committee, and Wei Jizhong, secretary general of the Chinese Olympic Committee, made a positive response this morning to the decision announced by the Taipei Olympic Committee on sending a delegation to attend the 1990 Asian Games held in Beijing, and warmly welcomed the participation of Taipei. They reiterated that China's mainland is willing to discuss the matters concerned with China's Taipei at any proper time and place. They also urged athletes and technicians of the Taipei team to come to Beijing to inspect the sports grounds as early as possible.

This morning our reporter interviewed Zhang Baifa, who is in Hong Kong. Zhang said he was happy with the decision of the Taipei Olympic Committee. He pointed out that the Chinese Olympic Committee sincerely and enthusiastically welcomes Taiwan athletes to participate in the Asian Games.

He continued: In accordance with the regulations of the Asian Games, next year the Chinese Olympic Committee will send formal invitations to various member states and regions. At that time, invitation will also be sent to China's Taipei team.

China's Taipei team will be warmly welcomed whether it participates in the games as an independent unit, or jointly forms a team with the mainland athletes. With regard to the matter of the flag, emblem, and anthem of the Taipei team during the games, it can be handled in accordance with the regulations of the International Olympic Committee. China's Taipei team may use its flag and emblem, and sing the team song. Actually, since 1979 the team has already done so in international contests to avoid embarrassment.

In the meantime, Zhang Baifa suggested that before the Asian Games, the Taipei Olympic Committee send athletes and technicians to Beijing to inspect the grounds as early as possible. He also welcomed Taiwan compatriots and journalists to come and watch the games. [passage omitted]

New Kuomintang Central Standing Committee Formed
OW1407113888 Taipei CNA in English 1040 GMT
14 Jul 88

[Text] Taipei, July 14 (CNA): A 31-member Central Standing Committee of the Kuomintang (KMT), with 12 new faces, was produced Thursday afternoon at the first meeting of the newly elected KMT Central Committee.

The 31 members were nominated by the ruling party's Chairman Li Teng-hui, who is also president of the Republic of China. The nominations were unanimously approved by the 180 members of the Central Committee.

The Central Standing Committee is the power center of the Kuomintang. It meets every week and administers the party's affairs when the Central Committee is in recess.

Nineteen members of the previous Central Standing Committee have been retained. They are: Shieh Tung-min, senior adviser to the president; Li Kuo-ting, minister without portfolio; Nieh Wen-ya, president of the Legislative Yuan; Yu Kuo-hua, premier; Li Huan, secretary-general of the Kuomintang Central Committee; Shen Chang-huan, secretary-general to president; Lin Yang-kang, president of the Judicial Yuan; Chiu Chuang-huan, governor of Taiwan; Huang Tsuen-chiou, president of the Control Yuan; Gen. Hau Pi-tsun, chief of the General Staff; Irwine W. Ho, secretary-general of the National Assembly; Wu Poh-hsiung, minister of the interior; Chen Li-an, chairman of the National Science Council; Lien Chan, vice premier; Shih Chi-yang, minister of justice; Ku Cheng-fu, chairman of Taiwan Cement Corp. and concurrently chairman of the National Association of Industry and Commerce; Kao Yu-jen, speaker of the Taiwan Provincial Assembly; Hsu Shui-teh, mayor of Taipei; and Clement C.P. Chang, speaker of the Taipei City Council.

The 12 new faces are: James Soong, deputy secretary-general of the Kuomintang Central Committee; Fredrick F. Chien, representative of the Coordination Council for North American Affairs in the United States; Cheng Wei-yuan, minister of national defense; Mao Kao-wen, minister of education; Hsu Li-nung, chairman of the Vocational Assistance Commission for Retired Servicemen; Chao Tze-chi, secretary-general of the Policy Coordination Committee of the KMT Central Committee; Tseng Kwang-shun, chairman of the Overseas Chinese Affairs Commission; Shirley W.Y. Kuo, deputy governor of the Central Bank of China; Su Nan-cheng, mayor of Kaohsiung; Chen Tien-mao, speaker of the Kaohsiung City Council; Hsui Sheng-fa, deputy secretary-general of the Policy Coordination Council of the Kuomintang Central Committee, and concurrently chairman of the Prince Motors Group; and Hsien Shen-shan, member of the Legislative Yuan and chairman of the Chinese Federation of Labor.

Chairman Li announced at the meeting that he decided to retain Li Huan as secretary-general of the KMT Central Committee, and James Soong, Kao Ming-hui, and Ma Yin-chiu as Li's deputies.

Kuomintang National Congress Finishes Business

Names Advisory Council Members
OW1307121788 Taipei CNA in English 1003 GMT
13 Jul 88

[Text] Taipei, July 13 (CNA)—Delegates to the 13th National Congress of the Kuomintang approved in a session Wednesday the nomination of 10 additional members of the Presidium of the party's Central Advisory Council, bringing its total number to 20.

The 10, including former President Yen Chia-kan and Gen. Chiang Wei-kuo, secretary-general of the National Security Council, was nominated by President Li Teng-hui, who was elected chairman of the ruling party in an earlier session of the Congress on July 8.

The eight others were Huang Shao-ku, senior adviser to the president and former president of the Judicial Yuan; Ku Cheng-kang, senior adviser to the president; Yuan Shou-chien, strategy adviser to the president; Kao Kuei-yuan, strategy adviser to the president; Peng Meng-chi, strategy adviser to the president; Mah Soo-lay, former Kuomintang Central Committee secretary-general; Tsai Hung-wen, former Taiwan Provincial Assembly speaker and Lin Ting-sheng, former Taipei City Council speaker.

Except for Chiang, Peng and Mah, the other seven are all incumbent members of the Central Standing Committee, the policy-making body of the Kuomintang. With the new appointments, the seven will retire from the committee.

The Central Advisory Council is a consultative organization composed mostly of senior party members who have retired from ranking government or party posts. Among members of the presidium of the council is Madame Chiang Kai-shek.

The Kuomintang has decided to give greater power to the Central Advisory Council, making it a watchdog body of the party.

Chairman Li named 72 additional members to the Central Advisory Council in an earlier session last Saturday, bringing the total number of council members to 232.

Resolves To Continue Reforms
OW1307190188 Taipei CNA in English 1430 GMT
13 Jul 88

[Text] Taipei, July 13 (CNA)—The Republic of China's ruling Kuomintang passed many resolutions during the final sessions of the party's 13th national congress Wednesday, pledging to continue efforts to promote political, economic and social developments in the nation.

In a resolution concerning party affairs, the Kuomintang pledged an all-out effort and a more flexible approach to restructuring party organizations and rejuvenating party operations.

Regarding government operations, the Kuomintang vowed to firmly accelerate steps to carry out constitutional democracy.

With regard to mainland policy, the party said that it would initiate a series of active, aggressive, offensive measures to accomplish the mission of national recovery.

During the sessions, delegates to the congress also decided to cable their respects to Madame Chiang Kai-shek as a member of the Presidium of the Kuomintang Central Advisory Council, the Armed Forces, Overseas Chinese and "all the comrades who are fighting behind the enemy lines in an attempt to overthrow the Communist Chinese regime."

Li Committed to Reform

OW1307121488 Taiwan CNA in English 1120 GMT
13 Jul 88

[Text] Taipei, July 13 (CNA)—Kuomintang Chairman Li Teng-hui Wednesday pledged his all-out effort to continue reforming the ruling party and promoting constitutional democracy to help achieve its task of China's reunification.

In a closing address, Li told the Kuomintang's national congress that he will "do everything within my power to strive, together with our party members and with one mind, for the attainment of our common mission."

The national congress, which opened on July 7, closed this afternoon. President Li was elected Kuomintang chairman on July 8.

That common mission is to promote constitutional democracy through political reform in the republic of China to pave the way for China's reunification under the three principles of the people.

Li described the national congress as one that opens up a new era for the entire Chinese nation.

In the address, titled "Unity, Creativeness and a March Forward," President Li said the ruling party's reform is the "pivot" for the Republic of China's overall modernization effort. Creativeness is necessary in reform, President Li said.

"The important task we now face," he pointed out, is how we shall constantly create the new and develop ourselves by putting into use the scientific truths and by keeping a pragmatic attitude that characterizes scientific studies."

President Li said the Kuomintang will achieve a stronger unity of purpose among all its members so that it will be able to rally all the Chinese people here, abroad and on the mainland of China in a march forward towards a new China reunified in democracy.

Groundwork has been laid for that reunification, Li said.

"We have the capability," President Li said. He added: "We have the experience. Above all, we have the faith that we shall be able to lead all the people, in pursuance of the three principles of the people, to build a new China reunified in democracy, where all enjoy an equitable distribution of wealth."

Government To Postpone U.S. Farm Product Talks

OW1407043888 Taipei CNA in English 0258 GMT
14 Jul 88

[Text] Taipei, July 14 (CNA)—The ROC [Republic of China]-U.S. talks on agricultural products scheduled for Hawaii July 18 will be postponed for several weeks, Chao Yao-tung, chairman of the Council for the Economic Planning and Development and concurrently convener of the ROC-U.S. Trade Ad Hoc Committee, said Wednesday.

Chao told a press conference that the Republic of China has proposed postponing the meeting as there might be a cabinet reshuffle after the 13th Kuomintang National Congress.

The date will later be set through proper channels, Chao said.

Meanwhile, Wang Chao-ming, vice chairman of the council and concurrently vice convener of the committee, said the ad hoc committee will meet next week to discuss the contents of the upcoming talks in Hawaii. Fredrick Chien, ROC representative in Washington D.C., will be invited to attend the meeting.

Discussing the import of turkey meat, Wang hoped that the U.S. side would understand the political realities requiring limits on whole turkey imports. If the U.S. side takes retaliatory action against the ROC, the ROC Government will face the dilemma of either caving in to U.S. demands or seeing farmers take to the streets to protest the import of U.S. turkey meat, Wang said.

Hong Kong

U.S. Secretary of State Shultz Arrives 13 Jul
OW1307131288 Beijing XINHUA in English
0759 GMT 13 Jul 88

[Text] Hong Kong, July 13 (XINHUA)—U.S. Secretary of State George Shultz arrived here this morning after visit to the Philippines.

Hong Kong Governor David Wilson will host a luncheon for him.

Shultz will leave Hong Kong for Beijing tomorrow morning.

Governor Makes Refugee Appeal
HK1407010788 Hong Kong SOUTH CHINA
MORNING POST in English 14 Jul 88 p 1, 2

[By Marlowe Hood and Stanley Leung]

[Text] The Governor, Sir David Wilson, has asked the visiting United States Secretary of State George Shultz to take more Vietnamese refugees from the territory. The request was made yesterday by Sir David at a meeting with Mr Shultz, who arrived from the Philippines for a one-day visit to Hong Kong.

So far this year the United States has taken 311 refugees from Hong Kong, compared with the 333 who were accepted last year.

Mr Shultz and his top aides are to leave Hong Kong early this morning for a two-day visit in Beijing where he is scheduled to meet senior Chinese leader Deng Xiaoping, Communist Party General Secretary Zhao Ziyang, Prime Minister Li Peng and Foreign Minister Qian Qichen.

The refugee issue was one of several topics raised with Sir David at a lunch at Government House. Other senior Hong Kong officials including Chief Secretary Sir David Ford and Political Adviser Dick Clift also attended.

An administration official said the Governor told Mr Shultz that Hong Kong was enforcing its month-old policy to deter the Vietnamese from leaving their homeland and hoping to establish a repatriation program with Vietnam.

Mr Clift is to leave for Hanoi next week for talks with the Vietnamese on the refugee problem that escalated this year with a fresh surge of boat people.

About 20,000 refugees are currently in Hong Kong, including more than 3,000 who arrived since the new screening policy was announced. Hong Kong continues

to grant temporary asylum, but those screened and found to be economic migrants rather than people fleeing political persecution are prohibited from seeking resettlement in third countries.

The United States has said that the stated policy, if carried out in a reasonable and responsible manner, is understandable in light of the sharply increased exodus from Vietnam. Mr Shultz briefed the Governor on a recent Bangkok conference of the Association of South-east Asian Nations [ASEAN], at which Indochinese refugees were a major topic and which proposed an international conference on the problem early next year.

During his China visit Mr Shultz will take issue with China's continuing support of the Khmer Rouge and arms sales to the Middle East.

At the ASEAN meeting last week Mr Shultz said he supported a negotiated settlement to the 10-year Kampuchea deadlock and endorsed a meeting of the principal parties to the conflict scheduled for July 25 in Jakarta. He also announced that U.S. was unalterably opposed to the Khmer Rouge's return to power.

"The Chinese attitude towards the Khmer Rouge and the nature of the continuing support to an overall Kampuchean settlement will be an important factor," he told the ASEAN assembly. "I will, of course, want to discuss with China their attitude." The Jakarta conference was thrown into doubt on Monday, however, when Prince Norodom Sihanouk unexpectedly announced his resignation as head of the anti-Vietnamese Kampuchean coalition government, which includes the Khmer Rouge and another noncommunist partner. Diplomats suspect he may nonetheless attend.

Prince Sihanouk resigned because his ostensible ally, the Khmer Rouge, were attacking and killing his forces in their base camps along the Thai-Kampuchean border, he said. He also criticised China's increased support of the Khmer Rouge at a time when other nations were seeking a means to limit their influence. U.S. intelligence reports have confirmed a steady flow of military hardware from China "in excess of needs" to the 35,000-strong Khmer Rouge army.

Mr Shultz is scheduled to meet Chinese Foreign Minister Qian Qichen this afternoon and will probably meet Mr Deng Xiaoping, the Prime Minister, Mr Li Peng, and the party chief, Mr Zhao Ziyang, tomorrow. He is nearing the end of a multi-nation diplomatic tour.

Mr Shultz has also recently criticised China for producing and selling intermediate-range missiles capable of carrying nuclear warheads. He is especially critical of China's role as a major arms supplier to both sides of the Iran-Iraq war and to the Middle East in general.

Official To Discuss Boat People in Hanoi
OW1407051688 Beijing XINHUA in English
1414 GMT 13 Jul 88

[Text] Hong Kong, July 13 (XINHUA)—Richard Clift, political adviser of Hong Kong, will lead a delegation to Hanoi for discussion on the problem of Vietnamese boat people, a government spokesman said here today.

Hong Kong's Secretary for Security Geoffrey Barnes and a senior official from the British Foreign and Commonwealth Office will be on the delegation, according to the spokesman.

"The exact timing and duration of the talks are still under discussion with the Vietnamese authorities," he said.

Sustained influx of Vietnamese boat people has put tremendous pressure on the local government for housing, feeding and monitoring them, and has aroused concern among Hong Kong people.

Over 10,000 Vietnamese boat people have arrived in Hong Kong since the beginning of this year, boosting the refugee and illegal immigrant population to about 20,000 in Hong Kong.

The government announced the screening policy on boat people on June 15. All Vietnamese boat people who are not accorded refugee status after a screening process must be treated as illegal immigrants and be held in detention centers awaiting repatriation to Vietnam, according to the new policy.

'Watchdog' To Oversee Securities, Futures
HK1307011588 Hong Kong SOUTH CHINA
MORNING POST (BUSINESS POST) in English
13 Jul 88 p 1

[By Michael Marray]

[Text] The Government will press ahead with the formation of a new watchdog to oversee the local securities and futures industry, Financial Secretary Pier Jacobs said yesterday. The decision, taken at a meeting of the Executive Council, is in line with the recommendations of the recent report of the Securities Review Committee chaired by Ian Hay Davison. Mr Jacobs said it was hoped that a bill establishing the new Securities and Futures Commission would be introduced early in the next session of the Legislative Council. "Our aim is to have the new commission in place some time at the beginning of 1989," he said.

Also officially announced yesterday was the appointment of British merchant banker Robert Owen as a consultant to advise upon the implementation of the Securities Review Committee recommendations, and in particular the setting up of the new watchdog. Mr Owen is to arrive in the territory this morning to take up an

appointment initially scheduled to last for a period of six to nine months. However, he is widely expected to stay on to become the first chairman of the new commission.

The New Securities and Futures Commission will replace the functions of three bodies currently in existence—the Securities Commission, the Commodities Trading Commission and the Office of the Commissioner for Securities and Commodities Trading. The new body will be governed by a small board with four executive directors, drawn from the staff of the new Commission, and four non-executive directors. These eight will all be appointed by the Governor.

"It will be supported by a Government-appointed advisory committee comprising market experts," Mr Jacobs added, with this advisory committee chaired by the chairman of the new Commission. Mr Jacobs pointed to two major areas of concern with regard to the new watchdog—cost and accountability.

"We must ensure that the costs of intermediation will not compare unfavourably with those of other major financial centres, but must avoid too much of the burden falling on the ordinary taxpayer rather than the users of the markets," he said. "The whole organisation is to be funded largely by the markets in the form of a transaction levy," Mr Jacobs explained.

"The Government will also have to make some contribution to the funding of the new organisation. This, I believe to be entirely appropriate."

Mr Jacobs said that details would be worked out in conjunction with the two exchanges, and exact fees agreed upon.

On the issue of accountability Mr Jacobs said that this would be clearly spelt out in the new legislation.

"It has to have account ability to the Government, and then through the Government to the legislature," he said. The new commissioner would also be to a certain extent accountable to the Financial Secretary.

Mr Jacobs said that the introduction of legislation needed to set up the new commission could be a lengthy and at times controversial process. The decision to proceed with this process was clear evidence of the Government's intention to move forward swiftly in the wake of the Davison report, he said.

Mr Jacobs added that he was pleased to note the stock exchange's own efforts at reforming its own constitution.

"I feel sure that all members of this community, certainly we in the Government, will welcome the initiative that has been taken by the stock exchange," he said.

Fujian Delegation Invites Expanded Economic Ties
OW1307004588 Beijing XINHUA in English
1525 GMT 12 Jul 88

[Text] Hong Kong, July 12 (XINHUA)—A high-ranking trade delegation from southern China's Fujian Province today invited Hong Kong businessmen to expand their already close ties by taking greater steps in trade and economic activities.

Headed by Deputy Governor You Dexin, the delegation held a seminar with hundreds of local businessmen here today.

Since the beginning of the country's opening to the outside world nine years ago, the province has approved 1,150 projects with direct foreign investment of 1.1 billion U.S. dollars, with about half coming from Hong Kong, said You Dexin.

The deputy governor briefed local businessmen on the province's preferential treatment for overseas investors and encouraged them to try on the more than 400 new projects offered by the delegation this time.

The official also invited local and foreign business executives to participate in a foreign investment and trade fair hosted by the province in Xiamen from September 8 to 11 this year.

According to Seto Fai, president of the Chinese Manufacturers' Association of Hong Kong, bilateral trade between the two areas has been very strong. In 1987, Hong Kong imported commodities worth 370 million U.S. dollars from Fujian. This accounted for, in value terms, 44 percent of the total exports of the province.

In return, Hong Kong's exports to Fujian reached 230 million U.S. dollars, an enormous share of 78 percent of Fujian's total imports.

First Joint Venture Press With Mainland Founded
OW1307083288 Beijing XINHUA in English
0121 GMT 13 Jul 88

[Text] Hong Kong, July 13 (XINHUA)—The Farton-Science Press Ltd., the first mainland-Hong Kong joint venture press, was set up here Tuesday.

The joint venture established by China's science press and Hong Kong's Farton Company will publish books, albums and other publications in Chinese edition for compatriots in Hong Kong, Macao, and Taiwan and Overseas Chinese as well as English edition for foreigners.

The Science Press, the biggest producer of science and technology publications in China, publishes some 600 titles including books of academic research achievements, reports of expedition, basic theories for students, graduates and researchers, classic and world-famous books and dictionaries, and 120 magazines with over

700 issues annually covering botany, geology, mathematics, physics, chemistry, zoology, medicine and meteorology, according to Su Shisheng, president of the Science Press and managing director of the Farton-Science Press.

Moreover, the press produces audio and video tapes and software, he said.

Macao

Lisbon Daily Interviews Macao Governor Melancia
PM1207134388 Lisbon DIARIO DE NOTICIAS
in Portuguese 2 Jul 88 pp 2, 4

[Interview with Governor of Macao Carlos Melancia by Jose Antonio Santos on 30 June in Lisbon]

[Excerpts] [Introductory passage omitted] DIARIO DE NOTICIAS [DDN]: What is your assessment of this visit to Lisbon?

Carlos Melancia: The main aim of this visit was to give the prime minister and the foreign minister an account of the official visit which I had occasion to pay to the PRC.

DDN: So you came to inform the foreign minister about the current state of affairs in the PRC and in its relations with Macao before Joao de Deus Pinheiro visits Beijing...

Melancia: Exactly. As you know, the reception the Chinese authorities gave me was exceptionally important for the state of relations between Portugal and China. So I believed that I should pay this urgent visit to Lisbon in order to be able to impart the purpose of the meetings which I had the opportunity to hold in Beijing.

DDN: So do you deem that exchange of views important for the defense of the state's interests?

Melancia: Of course. Moreover, with respect to this matter I would say that the outcome is highly positive, because, in my opinion, the contribution of all these reports is highly important, especially for those who have to coordinate and handle them at the highest level of the state. Indeed I had the opportunity to explain all the details of my visit to Beijing to the prime minister and to the ministers of foreign affairs and industry, and also to explain to them the current situation in Macao. [passage omitted]

Institutional Confidence Was Never at Issue [subhead]

DDN: But you came to Lisbon, after all, at a time when there is an atmosphere of considerable tension concerning Macao's problems. Has that "typhoon" which passed through the territory not shaken the institutional confidence of the president of the republic and the prime minister in the governor of Macao?

Melancia: I believe that the matter of confidence was never at issue, since there was prior information which made it possible to conclude that there was no danger of involvement jeopardizing that confidence.

DDN: But it is always good to clarify matters...

Melancia: I had the opportunity to supply all the information to the assistant minister when he was in Macao, and from the position conveyed to me by him I concluded that the prime minister was provided with sufficient minimum information not to put the problem in terms of confidence. Moreover, the same thing applied to the president of the republic.

DDN: In any event, did you have an opportunity during the meetings to clarify some misunderstandings which perhaps persisted?

Melancia: I had no reason to suppose that that matter of confidence would have any objective significance when I arrived in Lisbon. Despite everything, and now that all matters have been clarified, I would say that if it did not exist then, it does so even less now.

DDN: So is the Macao Government's stability an established fact?

Melancia: The responsibility which the Portuguese state has with respect to stability is not compatible with jeopardizing our long-term national tasks through some incidental mishaps. In fact what we must undertake in national terms should rally all state bodies, insofar as this follows from the pledges which were undertaken by the Portuguese Government and are therefore binding on the state.

DDN: How so?

Melancia: I will give an example. For the second time I have now alerted the speaker of the Assembly of the Republic to the urgent need to transfer legislative powers to the territory's own bodies. During the meeting which I had with Professor Vitor Crespo, I made him aware of the urgency of that desideratum, since unless those legislative powers are transferred rapidly, our whole legislative structure in Macao will be shaky and will not be in force after 1999.

DDN: It will perhaps be necessary to explain more fully to the deputies the scope of that task...

Melancia: Here is a task which I deem urgent and for which it would be advantageous for the deputies to be able to accept the challenge I threw down to them to visit Macao, not in order to acquaint themselves with the

current situation but in order to learn about the problems of the transitional period, which involve the various state bodies at several levels.

Lack of Firmness and Inability? [subhead]

DDN: One of the accusations leveled against you is that of lack of firmness and some inability to tackle problems in a timely manner. What is your comment?

Melancia: If lack of firmness or inability to tackle problems is synonymous with determining a long-term strategy for the territory's minimum means of autonomy or the actual amount of the investments planned in the infrastructure area and already approved by the government and the Legislative Assembly, then I do not know what this matter of inability or lack of firmness is. But I will tell you more: How can there be talk of inability after the significance of these undertakings for the PRC and, at the same time, for its whole sphere of influence is known?

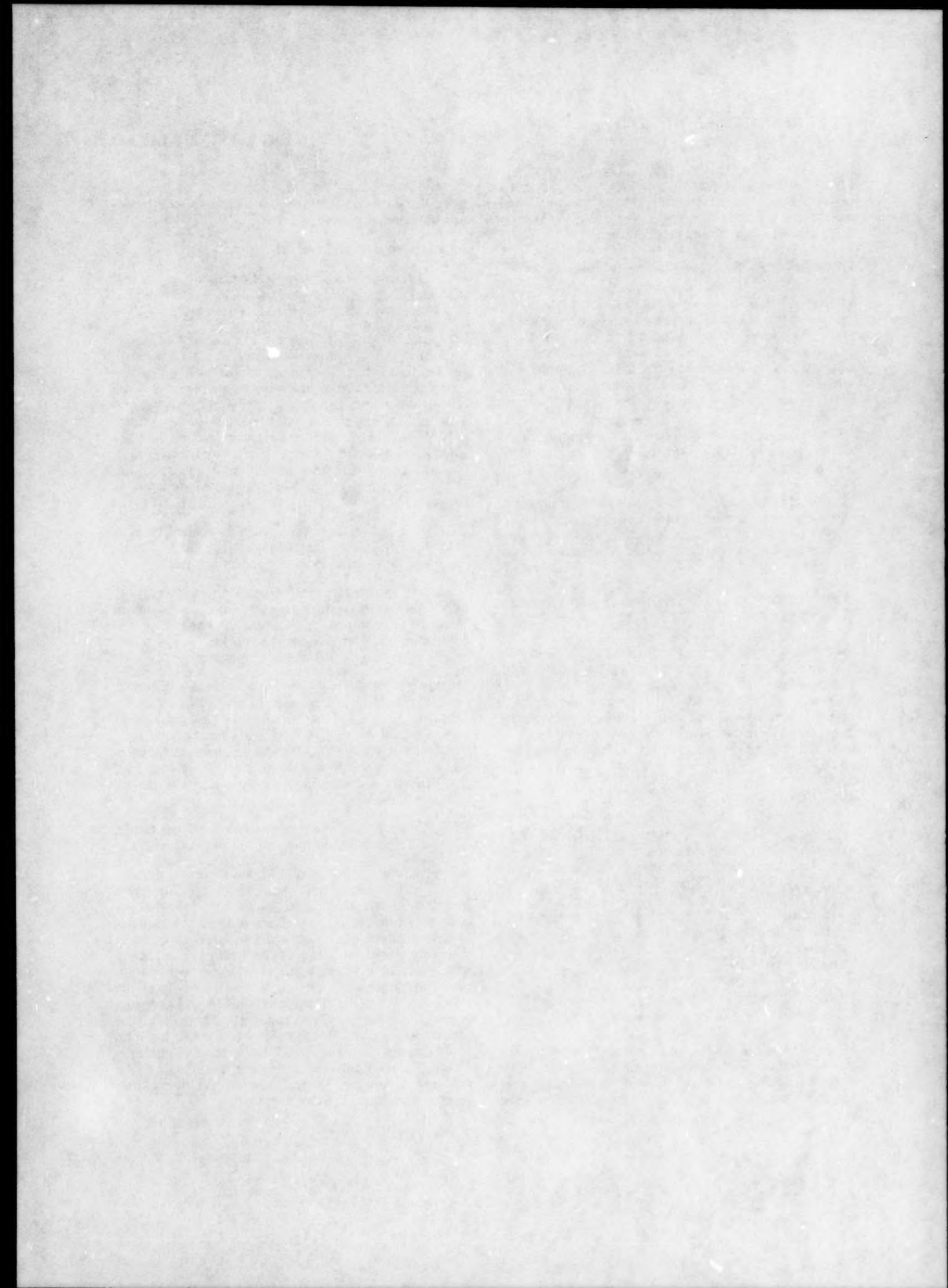
DDN: The lack of firmness is often associated by your detractors with what they term capitulation to China. Have you capitulated to the Beijing authorities?

Melancia: That interpretation could be made only by those who do not know or even imagine the situation in Macao. For instance, in Portugal 90 percent of the population have no idea that Lisbon has always recognized the territory of Macao as Chinese territory.

Moreover, Hong Kong's situation is totally different. Hong Kong has always been, let us say, a British colony where the British hold sovereignty; we have never held sovereignty in Macao. In fact, following the signing of the joint declaration in which the transfer of Macao's administration to China's hands in 1999 is recognized, that perfectly senseless and unrealistic excess of patriotism is not acceptable.

DDN: In fact Macao is a territory with a special statute, where different communities and cultures coexist...

Melancia: The truth is that in Macao there is a population of half a million inhabitants who are Chinese and just 10,000 Portuguese. So just now I would say that the governor of Macao is the governor of the whole population, with a double mandate under an agreement, and so he cannot afford the luxury of concerning himself solely with Portuguese interests. If, in addition, we bear in mind that Macao is a territory set in the world of the PRC, then it will be easily seen that Macao cannot be governed contrary to China's interests. Therefore, what matters is to govern Macao in favor of China's interests while making them converge with Portuguese interests. This is the fact of the matter. Anything that is said to the contrary is perfectly irresponsible or else stems from complete ignorance. [passage omitted]



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